

DECISION MAKING AND ORGANIZATION
LOS ANGELES COUNTY GOVERNMENT

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REPORT OF THE TASK FORCE
CHIEF ADMINISTRATIVE OFFICE
JUNE, 1983

VOLUME II
CONCLUSIONS AND RECOMMENDATIONS

June, 1983

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Reforming organizational structure and executive decision making systems in local government is a complex and difficult problem. There are no panaceas.

Corporate rules of organization do not necessarily apply. They rely on the ability of a chief executive to adopt a system of explicit goals and objectives and to organize people who agree in the ways best designed to meet them.

In contrast, County government cannot always decide its own goals and objectives. Some are established by Federal and State law. Moreover, the executive of the County consists of two groups in continual tension with one another. The first is a board of five Supervisors elected to represent five extremely diverse communities, whose views of what government is about do not necessarily coincide. The second is a group of more than forty operating executives who have fixed legal responsibilities and who consider it part of their responsibility to temper the entrepreneurial enthusiasm of elected officials.

What is needed is a long range road map for structural reform and executive decision making, together with processes to support sustained effort to achieve it.

In this report, we propose such a plan. We do not supply final answers. County Counsel advises that restructuring County government is subject to a number of legal limitations, and that each detail must be carefully reviewed before it can be implemented. The long-range structures that might result from the program recommended in this report will require detailed legal review.

Nevertheless, we are convinced that professional County executives can and will cooperate to find ways to improve the structure. The County already has good people. Further gains are possible. But the executives must first recognize that the overall structure of the County system is at least as important as employing good people. Reform is both feasible and necessary. The plan we propose provides the framework in which the County's people can accomplish desirable structural reform.

PREFACE

In September, 1982, following consultation with each Supervisor, our commission initiated an analysis of the Chief Administrative Office (CAO) of Los Angeles County. Our objective was to determine what, if any, changes in the roles of the CAO and expectations for CAO performance could improve the County's ability to overcome the crises it is facing. In December, 1982, on motion of Supervisor Antonovich, the Board of Supervisors asked our commission to investigate the feasibility of consolidating County departments.

Our task force, chaired by Robert J. Lowe, has examined both questions in detail. This report contains its conclusions and recommendations. The report reflects the results of nine task force meetings, commissioners' interviews of elected officials regarding these issues, and a review of contemporary and past research on the executive structure of County governments.

For the third time in four years, we have been fortunate to have the assistance of a Field Study Team from the Graduate School of Management at UCLA. As part of the requirements for earning the MBA, the students reviewed administrative processes in seven County departments to determine the potential for achieving economies of size by merger or standardization. We have incorporated their results in our report.

Our report answers both questions in the affirmative. We propose changes in the roles and expectations of the Chief Administrative Office which will improve the Board's ability to plan for and respond to changing conditions affecting the County's governance and service functions. We have found that consolidation of County departments into a simplified structure is both feasible and desirable, and we propose a four year program to restructure the system. The Board should achieve major gains in both cost and efficiency in the first year.

We present our report in three volumes. Volume I contains a summary of our proposed program. Volume II contains an expanded summary of our conclusions and recommendations, followed by a detailed description of the current structure, its problems, major alternatives for reform, and our preferences. Volume III is the report of our field study team. Volumes II and III represent working papers the task force used in formulating the conclusions and recommendations presented in Volume I.

"There are forty-five major County departments, each operating more or less independently, each with separate business managers, requisition officers, and accounting systems. Studies should be made to determine which of these functions can be merged or eliminated. I am convinced that any private business, functioning under such a system, would eventually face bankruptcy."

-Honorable Roger Jessup
Chairman, Board of Supervisors
Los Angeles County
1939.

"My eventual goal is to have the departments consolidated under 10 or 15 'super' departments."

-Honorable Michael D. Antonovich
Chairman, Board of Supervisors
Los Angeles County
1983.

"No savings have been made at the expense of desirable public service. This we shall never do."

-Wayne Allen
Chief Administrative Officer
Los Angeles County
1942.

"Time is running out. In 1983-84 there simply may not be enough local County revenues to continue to match State mandates and fund the Justice system at adequate levels."

-Harry L. Hufford
Chief Administrative Officer
Los Angeles County
1983.

SUMMARY AND IMPLEMENTATION OUTLINE

The subject of this report is the executive organization of Los Angeles County government. In the report, the task force discusses problems of County performance which are attributable to its executive structure and decision-making processes. We evaluate feasible approaches to resolving those problems, and we recommend that the Board adopt policy objectives directed to resolving them. The task force concludes with a proposed strategy for improving the performance of the County system. The strategy includes reorganizing programs, centralizing internal services, changing formal attributes of the Chief Administrative Office, and establishing standardized administrative systems.

Current Executive Structure

Executive decision-making consists of planning, organizing and directing, controlling, and evaluating the functions and services of an organization. To the extent that County government has the power to make executive decisions, under the Constitution of the State and the Charter of the County, we recognize multiple components of its executive. They are elected executives and appointed executives.

Elected Executives. Functions controlled by elected executives include those of the court system, those of the Assessor, District Attorney and Sheriff, and those of the Board of Supervisors. In the court system, we include the Superior Court and the Executive Officer of the Court, all Municipal Courts and their staffs, the County Clerk, and the Marshal. This system comprises a separate branch of government. Although it is financed by the County, its functions, organization and methods of operation are established by the State as part of the Judicial Branch. Although the County Clerk is appointed by the Board of Supervisors, over 90% of the department's work is under the control of the courts. The court system was the subject of a 1981 report by our commission. It is not subject to local organizational action. Therefore, except for inclusion of the County Clerk among Board-appointed departments, we do not discuss the court system in this report.

The Assessor, District Attorney and Sheriff are elected by the County-wide constituency to provide property assessment, prosecutorial, and law enforcement

functions. They are part of the County system. However, they are not subject to local organizational initiatives, except those with which they may choose to cooperate. In this report, we propose approaches to County organization that may involve their participation, but can be accomplished without it if they so choose.

The Board of Supervisors is the chief executive for all remaining County functions. It consists of five Supervisors elected by district constituencies. As executive, the Board:

- adopts an annual budget for all County operations,
- enters into all contracts to which the County is a party,
- establishes the organization of County government,
- appoints all officers and agents to manage the delivery of its services,
- establishes the number and compensation of employees,
- establishes operating policies and directs appointed officials in the execution of policy,
- adopts positions on legislation and proposes legislation.

Appointed Officials. The Board of Supervisors appoints 47 department heads to manage County operations. We classify their departments into three groups: central staff, internal services, and public services. The classification is not absolute. A few departments provide services that can be classified as both central staff and internal services. In addition, each Supervisor employs a staff. We designate that staff as district staff. We consider it to be part of the executive decision-making system, although it cannot be referred to as a department.

Five departments and two commissions perform central staff functions. The commissions are the Employee Relations Commission and the Civil Service Commission. The departments are the Clerk of the Board, the Chief Administrative Office, the Auditor-Controller, County Counsel, and the Office of Affirmative Action Compliance. The distinguishing mark of these departments is that they have central responsibilities to assist the Board in establishing, implementing and enforcing policy for the County as a whole, affecting all other departments. In other words, the Board itself is the primary client of departments in this group.

The Clerk of the Board keeps and maintains formal records of Board proceedings. The Chief Administrative Office acts as chief of staff for the Board and assists the Board in formulating and implementing the County budget and

employee relations policy. We discuss the Chief Administrative Office in detail in this report. The Auditor-Controller keeps the accounts of the County and assists the Board in establishing financial policy. County Counsel provides legal advice and represents the County in court. The Office of Affirmative Action Compliance monitors progress on affirmative action in County departments and reports to the Board on compliance.

Seven departments perform internal services functions. They are Building Services, Collections, Communications, Data Processing, Mechanical, Personnel, and Purchasing and Stores. The distinguishing mark of these departments is that their primary responsibility is to provide services demanded by and consumed by other County operations rather than the public at large. Therefore, they are also in a position to influence the administrative processes used by all County departments. We discuss this group in detail in this report.

The remaining thirty-three departments whose executives are appointed by the Board have the primary responsibility to deliver to the public such County services and regulatory functions as health and welfare, public works, engineering, record keeping, and safety.

The table below summarizes the executive structure of the County government system and the number of positions budgeted for each type of executive and department.¹

Los Angeles County Government²
Executive Structure
1982-83

Type of Executive	Number of Departments	Number of Positions
<u>Elected</u>	8	15,000
<hr/>		
<u>Appointed By Board</u>		
Central Staff	7	1,000
Internal Services	7	6,300
Program Services	33	47,700
Total Board	47	55,000
Total County	55	70,000

¹The official chart has 64 units. We excluded 9, and we assigned 3 appointed by elected officials to the count of elected officials.

²Source: Los Angeles County Budget, 1982-1983.

Chief Administrative Office

The Board of Supervisors created the Chief Administrative Office (CAO) in 1938 as an alternative to the central County manager proposed by reform groups. The Chief Administrative Officer functions primarily in the role of chief of staff in relationship to the Board of Supervisors and as chief financial officer and controller in relationship to County department heads. As chief of staff, the CAO assists the Board in making its executive and legislative decisions. As chief financial officer, the CAO executes the Board's decisions on the Board's behalf. The CAO fills these roles by performing three major functions:

- producing recommended budgets, legislation, forecasts, compensation policy, and evaluations for Board review and action and implementing the Board's decisions;
- responding to Board and Supervisor's requests for additional data, information and analysis;
- controlling departmental actions by recommending that the Board approve or disapprove items proposed for Board action by County departments.

In addition, the CAO manages the contract city system, public information and relations, disaster planning and coordination, and energy planning for the Board and the County as a whole.

In 1976, the Board appointed the incumbent CAO as Director of Personnel. In this capacity, the CAO provides for the classification of work and provides employee recruitment, occupational health, employee development, and workers' compensation claims management services to other County departments. In this report, we refer to these functions as services produced by the Personnel Department.

We structure the work of each CAO division into the functions of general management, as illustrated in the chart below. That is, the CAO produces recommendations for Board actions and acts as an agent of the Board to enable the Board to make executive decisions.

Chief Administrative Office
Major Functions and Divisions
 1982-83

<u>Function/Division</u>	<u>Planning</u>	<u>Control</u>	<u>Evaluation</u>
Budget	X	X	
Intergovernmental	X	X	
Management Services			X
Public Information		X	
Employee Relations	X	X	
Classification/Comp	X	X	
Incentives Plan	X		X

The divisions in the CAO's office support the Board's management functions with such ongoing production processes as producing annual budgets and legislative programs, such ad hoc processes as producing studies and reports in response to Board or Supervisors' requests for information, such control processes as Agenda review, and such support processes as writing speeches, distributing press releases and producing motions.

The current priorities in the CAO's functions are on budget, legislation and employee relations. The budget is the primary tool for policy development and implementation in County government. The County has become dependent on the State and Federal governments for financing. Thus, the focus of the County's financial planning is short-term, and the focus of budgetary and legislative control functions is the maintenance of current revenue and current service. Legislative planning and control are top priority because of the relationship of the County to the State. Employee relations and collective bargaining are top priority because over 80% of the County's annual discretionary expenditures are for employee salaries and benefits.

Internal Services Departments

The internal services departments spend \$311.4 million annually, including \$48.9 for utilities. On the average, 71% of their annual operating costs are for in-house labor. They employ a workforce of 6,300. They bill approximately 72% of their operating costs to County departments. The billed departments may in turn pass these costs on to Federal, State or contract city governments.

The department of Building Services provides custodial services in County facilities. The department's total appropriation is \$47.6 million, of which

\$38.8 million, or 91% is for labor costs.

The Department of Collections was created in 1977 to centralize revenue billing and the collection of delinquent receivables. The department also functions as court trustee for funds collected as child support from delinquent parents. The department's annual operating budget is \$12.4 million, of which \$9.8 million, or 79% is for salaries and benefits.

The Communications Department conducts the engineering, design, planning and acquisition of communications systems for County departments, including telephone, radio, microwave and information networks. It manages the County's participation in the 9-1-1 project for emergency response, and it represents the County before regulatory bodies. The department's current budget is \$46.0 million, including \$23.9 million billed to other County departments for telephone company charges. Of the remaining operating budget of \$22.1 million, 74%, or \$16.4 million is for labor.

The Department of Data Processing provides computer and information systems support to all County departments. Its operating budget is \$74.4 million, of which \$40.1 million, or 54%, is for labor.

The Mechanical Department provides the building craft services needed to maintain, alter and repair County facilities. It also supplies fleet maintenance, parking, security, and business machine repair. The department's total appropriation is \$110.3 million, including \$25.0 million in charges for utilities. Of its \$85.3 million operating budget, \$59.2 million, or 69%, is for labor.

The Department of Personnel provides services to other County departments which are clearly distinct and separable from policy management roles. Those services include employee recruitment and selection, claims management and employee benefits administration. The department's operating budget is \$15.4 million, of which 84% is for labor.

The Department of Purchasing and Stores manages all procurement of personal property for the County, operates central stores for commonly used goods, and provides central printing services. The department purchases approximately \$300 million in goods and services annually and maintains stock at the \$40 million level. The department's annual appropriation is \$10.3 million, of which \$8.0 million, or 78% is labor.

The table below summarizes the appropriations, position budgets, and functional distribution of positions for each of the departments.

Summary of Budgets
Internal Services Departments
 1982-83

<u>Department</u>	Approp- riation (\$Million)	<u>Number of Positions</u>		<u>Total</u>
		<u>Operations</u>	<u>Support</u>	
Building Services	47.6	1658	92	1750
Collections	12.4	350	110	460
Communications	22.1	490	90	580
Data Processing	74.4	1085	205	1280
Mechanical	85.3	1310	210	1520
Personnel	15.4	215	185	400
Purchasing	10.3	195	95	290
Total	262.5	5300	980	6280

We group these departments because they provide related services to the same customers, not because we believe they provide services which are technically or functionally homogeneous. The technology of cleaning buildings, as practiced by Building Services, differs from the technology of maintaining heating and ventilation systems as practiced by Mechanical. Both differ radically from the technology of collecting delinquent receivables as practiced by the Department of Collections. Although they work in technically related fields, the work performed by Data Processing differs materially from the work performed by Communications.

The concerns of management in these departments are, or should be, similar, because the needs of their customers are related. Therefore, what these departments have in common are the following:

- each is primarily a central service provider to other County departments, and must respond to the demands of those departments,
- each has performed principally as an internal monopoly provider of its specialized service,
- each contributes to the necessary business, logistical and physical infrastructure of County operations.

Some functions of a few other County departments meet similar criteria. The Department of the County Engineer - Facilities, for example, acquires space to house County functions. The Auditor-Controller acts as paymaster for the County. In future work, separable functions of such departments should be considered among internal services.

Opportunities for Improvement

The County's executive decision-making system is responsible for some impressive achievements. Since 1976, County government in Los Angeles has survived stresses that would have bankrupted many businesses - including a reduction, in constant dollars, of 25% of discretionary revenues and a reduction of 8000 permanent full-time employees. Yet the County continues to perform its basic State and local functions and to deliver services at constant or increasing levels - eligibility determination and income maintenance for nearly 1,000,000 people, hospital care for an average daily population of 2,700 people, criminal case management for over 260,000 cases, tax collection and fiduciary services for hundreds of school districts, cities, and special districts.

However, the County needs to find new methods to achieve further gains. The methods it has used - consuming financial reserves, enforcing central hiring and purchasing freezes, selling surplus property, issuing short term debt - have run their course.

The Board of Supervisors and CAO can further improve the efficiency and effectiveness of County operations, provided they overcome the political obstacles to addressing the deficiencies of the County's organizational structure and the related problems of its executive decision-making systems. They can overcome those difficulties by implementing a program to achieve three major policy objectives:

- *reducing the number of County departments to a simplified structure, thereby reducing fragmentation and duplication;*
- *clarifying the roles and strengthening the formal authority of the Chief Administrative Officer, particularly to set and enforce County-wide plans and standards, thereby reorienting County operations to a longer-term planning horizon;*
- *standardizing administrative systems and management costs, thereby reducing the costs of management and administration.*

Fragmentation. Practical reality limits the number of units a single individual or governing body can effectively manage in a hierarchy. It follows that Boards of Supervisors cannot manage the 47 separate, autonomous, and equal departments for whose operations and costs it is responsible. The excessive diffusion of Board control over 47 departments leads to inadequate warning of problems, avoidable duplicative costs, and confusion of accountability for decisions.

The County lacks formal machinery for early warning of problems that need attention before they escalate to the full public crisis level. The lack of warning

is characteristic of the number of units in the structure. A span of forty-seven equal and independent units clamoring for attention is as likely to lead to no attention as to full attention. No executive can keep track of the management details in that many units. Control is too diffused.

Costs of Structure. The multiplicity of departments leads to excess costs. It creates demands for superfluous and duplicative resources. It institutionalizes excess capacity. Each department has its own management structure and makes its own provisions for succession by creating chains of managers and assistant managers. Each retains analytical and support staff to work with and reply to the many audits conducted each year. Most retain independent accounting, procurement, payroll, personnel, information management, and secretarial staff. The cost of administration and management in the seven internal services departments amounts to 16% of payroll. If the same level of expense applies County-wide, the County spends nearly \$300 million annually on management and administration alone.

Lack of Standardization. Standardization of administrative systems is almost unknown among County departments. Service industries are labor intensive. In the services sector, standardization is the most effective means to control costs and improve productivity. Yet most County departments use different systems for such internal business as accounting, payroll and personnel. In the internal services departments, for example, staffing for accounting, payroll, personnel, and procurement ranges from 6 per thousand employees to 44 per thousand employees. Clearly, some departments provide for internal business for less, proportional to department size, than others. Either the more costly department produces at a higher quality, or it spends in excess of what is necessary. In any case, the absence of standards is clear. The proliferation of separate payroll systems costs approximately \$11 million annually in excess of what private corporations expect to spend on payroll processing.

Inventory. The multiplicity of departments is a source of unnecessary duplication of parts, supplies and warehouse space. Each department establishes and insists on a unique inventory management policy based on the perception of unique operating needs for that department. The high degree of procurement centralization with its attendant governmental red tape creates a need for each department to retain slack in the inventories or to purchase at retail to cover shortages. We have identified at least \$3 million in excess inventory management costs.

Shared Accountability. The diffusion of Board control leads to confusion of accountability. Accountability for management systems and for implementation of

management policy change is almost always shared among several of the 47 departments. To implement cost accounting, for example, the active participation of at least four departments is required - the user, the Auditor-Controller, the CAO, and Data Processing. Similarly, the decision to improve conditions for mental health patients requires the concurrence and cooperation of eight separate departments. The number of departments in the system increases the probability that any change will require action by more than one executive.

Shared accountability means no accountability. No one of the five Supervisors can be held accountable for the managerial performance of County operations or for the success of changes they order. The CAO cannot be held accountable. The office holds no institutional power. All CAOs since the office was created have rejected accountability without accompanying authority to appoint and discipline department heads. Department heads cannot be held accountable. They claim that the CAO's power over budgetary, Board agenda and legislative policy is an absolute, and effective barrier to accountability. The circle closes when department heads lobby individual Board members for their own objectives. Since departments involved in a change may have different Supervisors as chairmen, this potentially frustrates management policy or change initiatives requiring joint and coordinated action.

Program Misalignment. The structure is not only diffused over 47 independent units, it is also severely out of balance. Departments range in size from 22,000 employees in Health Services to fewer than 100 in eight departments. In the 33 public services department, 22 - or over 60% - of the managers, with average compensation of \$62,700, manage less than 8% of the County's operating budget.

In addition to the imbalance of size, County departments are functionally out of balance. Many contain functions and services which are dissimilar; some perform functions which are potentially in contention. For example, there is no compelling functional reason for the same department, DPSS, to perform both the regulatory function of determining the eligibility of applicants for relief programs and the function of delivering social and child welfare services to those that need them. The two functions are related, but they comprise different kinds of work. More important, those performing the work hold differing sets of values and may therefore compete.

Institutional Stability. In some systems, duplication and redundancy are useful. In political systems, the trade off may frequently be significant between

the public interest in efficient performance and the public interest in the distribution of power. Our governments are designed with checks and balances because over-concentrated power may be readily abused. On the other hand, if power is distributed evenly among perfectly balanced entities the system is not likely to accomplish anything efficiently, and it is virtually certain its management systems will change slowly if at all.

In Los Angeles County government, all effective decision-making power resides in the Board of Supervisors. When its decisions affect State programs, the checks and balances are present in the State system of legislative, executive and judicial power. When its decisions affect public policy in Los Angeles County, the districts act as checks and balances on one another.

When Boards of Supervisors make sovereign decisions affecting the management of County operations, there is no political check. The most effective available check is the County bureaucracy. This check on the Board's power derives from the awesome complexity of the County system and the particular design of the roles, responsibilities and authority of the Chief Administrative Officer. The trade-off is in the efficiency of response. Instant response is not desirable. Nor is such excessive stability that the system does not respond at all to initiatives for management system improvement or policy changes.

Regardless of politics, business decisions take a long time in the County. One reason is that no one but the Board has sufficient concentrated authority to establish and enforce plans and standards. The formal relationships between the Board and CAO, and between the CAO and departments have not changed materially since the office was created. Yet the expectations developed in less formal documentation of the County, and in the normal intuition of elected officials and the public of what a CAO does, would lead most to believe that the CAO is the manager of County operations. The CAO is not, and cannot legally be, the manager of County operations in the framework established by the Charter and current laws. There are thus gaps between the nature of Boards' expectations for CAO performance and the CAO's formal authority.

Short Term Expectations. The formal definition of the CAO's role in the County system is a series of ordinances, adopted by Boards of Supervisors between 1947 and 1978. Since it is formal and law, the codified system is the strongest instrument of accountability available to the Board in establishing its expectations for CAO performance, and it is the most reasonable available norm for the CAO to use in determining goals and objectives.

The ordinance institutionalizes the culture of the CAO's function. It institutionalizes the relationship of the CAO to the Board and to County departments. It conditions the CAO to the 1947 perspective of public management. It is a powerful source of stability in the County system and a major reason for the difficulty the County experiences in adjusting its management systems to change.

The ordinance is deficient. It includes functions which the CAO does not and should not perform. It omits significant functions which the CAO now performs and should continue to perform. It specifies functions which confuse the CAO's relationships to County departments. It contains provisions which contradict or weaken one another. Within the framework of the Charter and the ordinances,

- CAOs have no mandate to assist Boards in organizing County operations, developing legislative programs and positions, establishing and enforcing administrative standards, or establishing long term plans and implementing programs for capital investment, productivity improvement, and management systems;
- CAOs authority to direct does not extend to enforcing the direction: only the Board can act efficaciously to reward or discipline a department head;
- CAOs have authority to control operating decisions and decide priorities through allocation during budget preparation and through approval processes after budgets have been appropriated, but they have no consistent means to enforce the authority.

In the program we recommend, the reliance of the County on strong central financial controls would be replaced by formal authority for the CAO to establish and enforce performance standards for County operations.

Workload Control. The tradition in Los Angeles County has been that Boards of Supervisors meet each Tuesday to decide hundreds of routine matters, and to propose initiatives of their own to introduce a new program, change County policy or propose changes to the State, and debate controversial issues. The routine matters are generally provided for adequately in the bureaucratic system. The others generate work for the CAO.

In the role of interpreting public policy and responding to the needs of their constituents, Supervisors initiate ideas for change and productivity improvement. The ideas range in complexity from the mundane and routine of statistics to complex and subtle issues of legislation and finance. The CAO has the necessary technical expertise and knowledge to respond to such initiatives. However, Boards and Supervisors must respond to a continual stream of inputs from the community with no consistent and unified vision of where the County is going. They lack a system of priorities. They lack methods of grouping or coordinating issues which are logically related and of determining the underlying, systemic or structural problems that lie at the root of each of their individual initiatives. In the absence of a formal system to integrate the variety of inputs they receive, they react to a broad range of narrowly conceived and disorganized issues referred by constituents, business contacts, County department heads, lobbyists, employees, unions, advisory commissions, the press or media, or the public at large.

The program we recommend includes a revision of the formal ordinance establishing the CAO. While there is no foolproof method of controlling workload in a staff function like the CAO's, we believe that the expectations of the Board would become more realistic if the ordinance requires the CAO to inform the Board of related work and of the potential costs of each task assigned, as part of the report on that task.

Unclear Goals. While the Board's ordinance can be revised to modernize the definition of the CAO's role, and the Board and CAO could agree on a more disciplined method of approaching staff work, no local action can resolve the underlying complexity of California's governmental system. Excluding school districts, there are over 690 local governments in Los Angeles County. Approximately 350 of them are politically and legally independent of one another. County government, however, collects taxes for all of them, has contractual relationships with all of them, provides services to their constituents, has facilities in most of them and performs regulatory or governance functions affecting most of them and their citizens. County government cannot feasibly act unilaterally to manage and control its own programs.

The County system relies on negotiation of nearly all decisions, no matter how modest, as the lubricant permitting it to function. No decisions are interpreted as primarily managerial. To adopt a management system change proposed by the CAO, the Board may have to consult hundreds of other local elected officials, face hundreds of angry tenants, senior citizens, veterans or other constituents, or forego

the campaign contributions of major corporations or unions.

The ordinary expectations for a chief executive, in business, government, or any hierarchical organization are that the executive has the authority to plan, organize, direct and evaluate subordinates whose primary incentives are to respond to his or her leadership. In Los Angeles County government, the Boards of Supervisors have been chief executive. They have the authority, and the incentives are effective for their subordinates. But there is little or no agreement on goals.

The Board is the only organization in the County with the legal authority to compel implementation of improved systems. The CAO, however, is the only organization with sufficient insight into all County operations to develop such systems and actively coordinate their implementation. What is needed is a method of systematically distinguishing between the managerial and political dimensions of each decision.

The program we recommend includes modernizing the formal ordinance establishing the CAO's function to provide for functions necessary to accomplish strategic planning, standardization, and systems evaluation that are necessary to provide the Board with information that is comprehensive enough to permit it to synthesize consistent goals or to make decisions politically after evaluating full information on the managerial dimension. These functions, in diversified or conglomerate organizations like the County, must have a strong "top down" component. Without it, there is no way to ensure that the interests of each department - or its missions, objectives, contracting plans, or productivity plans - will coincide with the interests of the County as a whole.

Need for Program.

County managers point out that it is possible to solve some of the problems without organizational reform. For example, they claim that the absence of standards is not a structural issue. We disagree. In 1972, in the long range plan for data processing adopted by the County, top priority was to be to develop standardized administrative systems and to automate them. In the late 1970's, the Data Processing Department, Auditor-Controller and Department of Personnel acquired and developed applicable systems. County departments do not use them. They acquire their own. This year, the County is again spending \$300,000 for a general long range data processing plan. We agree such a plan is needed. However, we wonder how much it will accomplish in the absence of structural reform.

Therefore, in this report we recommend that the County organize and implement a program with the three major goals we listed above: 1) restructuring the organization of programs, 2) clarifying the formal roles of the CAO, and 3) standardizing business and administrative systems.

Feasibility Issues

Political. Reorganizing County government will require political decisions. It will require decisions to reallocate political and bureaucratic power. Those decisions will be unpopular with influential interest groups. It will require elected officials to delegate decision making power and bureaucratic authority, while they remain politically accountable for the decisions of their subordinates.

Legal. The mechanics available to the Board include proposing Charter amendments to the electorate, adopting ordinances, and adopting orders directing employees or officers. Restructuring by changing the appointing authority from the Board to another official or by delegating appointing authority would require a Charter amendment.

Otherwise, the Charter gives the Board authority to organize and reorganize. The Board may consolidate or separate offices provided for in the Charter or by law. Past Boards have exercised this power. According to our discussions with County Counsel, its limits are 1) the Board cannot separate the duties of an officer, 2) the Board cannot delegate its discretionary powers, 3) the Board cannot add to or subtract from the duties assigned to an officer by law, and 4) the Board cannot abolish a function required of the County by law. The Board can:

- appoint the same individual to two or more offices;
- merge two or more departments or offices, except that the Board cannot compel an official to divest or absorb duties;
- separate the functions of one department and assign them to another, unless they are functions assigns by law to an office.

Regardless of the mechanics, Board action to reorganize the County system will affect a large number of influential groups, few of whom have any incentive to support change. They may seek legislation to prevent the change. If they cannot prevent it, opposed parties may act to subvert its chances of success. The effectiveness of structural change will require the active collaboration of all five Supervisors, affected department heads, elected officials, service providers, local governments, funding agencies, and constituencies.

Incentives. Depending on the specific departments, certain incentives are also available to the Board to encourage organizational reform. Budget reductions have affected small local programs adversely. Reorganization could be designed to increase the resources available to them to finance their programs. In addition, the Board could use early retirement plans, compensation plans, and bonuses to encourage reorganization.

Alternative Strategies

Reducing the Board's span of control means rearranging the current system into fewer than 47 units appointed by and accountable to the Board. Contemporary management scientists claim 5-7 is a maximum. In government, 20 or so is common. Clearly, 36 or 37 is not much better than 47. The Supervisors would still be overwhelmed, and the structure still severely out of balance.

In our analysis, we evaluated the following concepts of structure as design goals for County organization. They all have some currency in political management:

- an Agency structure
 - strong executive
 - weak executive
- a consolidated departmental structure
 - consolidated departments
 - reorganized departments
- a committee assignment structure
- a program management / matrix structure
- a systems management structure.

Agency Structure. In an agency structure, departments are grouped according to some logical principle of common function; and an Agency Head appointed. In some counties, the Agency Head appoints the department heads. In others, the Agency Head acts as coordinator. In some, agencies are located in the CAO's office and heads appointed by the CAO. In others, heads are appointed by the Board.

The Agency structure solves a few, but not all of the problems we attribute to structure. Clearly, it reduces the Board's span of control. However, in its usual implementation, it does not reduce the number of departments. Thus, it can add additional costs because it creates a new level of bureaucracy. More

important, it does not solve the basic design problem. It leaves intact the alignment of programs in departments. Since departments are poorly designed, so are the agencies. Agency groupings would be useful, however, as an interim device to serve as the vehicle for realignment of programs.

Consolidated Structure. We have defined two forms of consolidation. The first, the concept of consolidated departments, is the same as the agency, except that the additional costs are avoided, or hidden, by establishing only one level of management. In Los Angeles, the Treasurer-Tax Collector, Registrar-Recorder, Public Administrator-Guardian, and Health Services Departments are consolidated. This has the same weakness as the agency structure. The underlying configuration of programs in the departments remains unchanged. The structure does not solve problems associated with program alignment or with decision-making.

The second form of consolidation is a comprehensive reorganization of the County system into fewer units, with similarity of mission and goals as the principal organizing criterion. The Department of Community Services is an example. It was formed from two departments and one function from the Department of Personnel. We favor this concept since it would both reduce the number of departments and simplify the structure by realigning programs. However, it has major political difficulties. It also has few dramatic short-term benefits since it would take several years to implement.

Committee Structure. In a committee structure, the Board merely groups departments with like functions and forms a committee of department heads to manage the group. This makes the concept of joint accountability explicit, but it does not reduce the number of departments or simplify the structure. Moreover, it cannot reduce costs unless the department heads decide to standardize their administrative and business systems. That is, if the department heads decide to collaborate, the committee system can be an effective way to reduce costs. However, since it, too leaves intact the departmental structure of programs, it does not resolve the basic issues.

Program Management / Matrix. This concept is modeled after the divisional structure used in conglomerate or diversified companies. Each program is a service or group of services with a common mission or goal. Resources and support activities used by all programs are grouped into single units, from which the program units purchase services. Accountability for production is clearly assigned. Control is exercised through program centers, cost centers and investment centers. The Board could use this model to resolve most of the problems associated with

structure, including issues related to common goals and missions, program duplication, costs and priority. However, this model of structure can lead to a proliferation of management and supervisory positions, and it must be strongly controlled to prevent a proliferation of programs.

System. Systems management would rely on putting some one individual in charge of all activities, programs and functions contributing to a well-defined goal, regardless of how many or which separate departments and division are involved. System management may be impossible in County government. Defining systems is hazardous. The political resolve to enforce agreement on goals is seldom present. On the other hand, with a systems management concept, the Board would have improved information for decisions and an improved system of accountability.

There is no "final solution" to the organizational issue, regardless of sector of the economy or type of business. As most experts have explained, the purpose of organizing human endeavors is to meet some stated, explicit goal. The "best" structure is the one that best meets that goal. In the County, there is no agreement on goals, and in many cases neither the Board nor the County bureaucracy establishes the goals. They are established by the State.

In Los Angeles County at present, if reorganization is to be useful, the Board will have to ensure that it is designed to address the problems we have described and to support the contemporary goal of public administration - that is, to survive the environment of shrinking resources while minimizing disruption of public services.

In addition, any proposed new structure must be attainable within the following constraints:

- the County-state political system,
- the laws affecting government structure,
- the County's cost reduction strategy,
- such current Board and CAO management initiatives as the management personnel incentive plan, contracting, staff reductions, and minimum layoffs.

Implementation Requirements

In addition, none of the structural alternatives would improve performance unless accompanied by operating, policy and production changes in the roles of the Chief Administrative Office. Therefore, our recommendations include changing the

ordinance on the CAO so that it reflects what the CAO does now and, in addition, changes the emphasis in the Management Services Division from audits of individual County departments to design and implementation of County-wide business and administrative standards and to evaluation of multi-department delivery systems.

Each of the overall organizational concepts would address the County's problems, but some would be more effective than others. Each would present certain risks or difficulties during implementation. Some could be more easily attained than others within current constraints. Each would have somewhat different implications than the others for redefining the Board's and CAO's roles and their relationships to one another and to County department or agency heads. Each would create some problems and solve others. The table on Page 21 summarizes our conclusions on each concept.

To implement any alternative, the Board would have to decide on 1) the grouping of departments or functions in the structure, 2) the powers of the people it appoints to manage each group, 3) methods of preserving stability of operations and costs during the transition, 4) the roles of the CAO, and 5) the additional systems, procedures, and controls that would be required to support decision-making.

The grouping of County departments has as many feasible variations as there are counties in California. For example, agency designs in Fresno, Orange, and San Diego counties differ materially from each other. In one, probation services are grouped in human services with welfare, veterans and senior citizens. In another, probation services are grouped in community safety with fire, sheriff and marshall.

The major difficulty in grouping County departments is choosing an organizing principle on which to base the grouping. The following are candidates:

- related goals and objectives,
- similar functions or technologies,
- identical or overlapping constituencies,
- similar funding or regulatory sources,
- geographic location
- effectiveness of management.

Supervisor Edelman recently proposed creating a new County department by separating child welfare from DPSS and merging it with Adoptions to form a department of Children's Services. That may be a good idea. It is based on the

constituency principle that is common in government.

Since the County has no overall organizational plan, however, there is no way to determine whether creating such a new department would relieve or aggravate the structural deficiencies, and there is no way to determine whether it is better in some sense than reorganizing all social services - children and adult - into a single unit that is separated from eligibility work.

We are convinced that any approach which relies merely on the grouping of County departments is wrong. The departments themselves are designed poorly. The only thing accomplished by grouping them is to add costs associated with managing the groups.

What is needed is a method of grouping programs and services into fewer units which consolidate the management of related missions and goals. By missions and goals, we do not mean the traditional definition of function as understood in public administration. The following seven departments are not functionally or technologically similar. They operate programs and services which have related missions and goals: Building Services, Collections, Communications, Data Processing, Mechanical, Personnel and Purchasing and Stores. They could be merged into one department with a common management. Alternatively, for example, they could be reorganized into three departments by rearranging their programs as indicated below:

Internal Services Departments

<u>General Services</u>	<u>Technical Services</u>	<u>Administrative Services</u>
Custodial	Engineering	Recruitment
Parking	Equipment Oper	Claims Management
Security	Business Mach	Warehousing
Telephone	Computer Cntr	Facilities Plng
Printing	Programming	Procurement

These three would then become internal resources or cost centers in a matrix structure. Similarly, social and childrens' services could be separated from DPSS and reassigned to a department designed to unify all programs with social service missions.

In conclusion, we are convinced that the County system should be completely reorganized into consolidated departments. Doing so is a feasible design goal within the authority of the Board, provided the Board first adopts a plan of organization and a consistent program to implement it. We also favor a systems management design, but as a long-term alternative which would certainly require some changes

ALTERNATIVE STRUCTURAL CONCEPTS
SUMMARY OF CONCLUSIONS

DESIGN CONCEPT	SUBOPTIMIZATION	COSTS	PRIORITIES	CHANGE IN CAO
AGENCY				
-Strong	NO	MAYBE	YES	MAJOR
-Weak	NO	NO	YES	MINOR
CONSOLIDATED				
-Departments	NO	MAYBE	NO	SOME
-Reorganized	YES	YES	YES	SOME
PROGRAM	MAYBE	YES	YES	MAJOR
COMMITTEE	NO	NO	NO	MINOR
SYSTEMS	YES	YES	YES	MAJOR

of law and major changes of decision processes.

Organizational change is no panacea. Changes in decision processes must accompany it. It must be carefully planned. No massive reorganization of any kind is feasible in a single step. We are proposing that the Board and CAO approach the problem in stages, with the first stage including adoption of an organizational design goal, revision of the formal design of the CAO's function, and formation of a temporary agency to reorganize internal services. The second stage includes implementation of the reorganized internal services system as one or three departments, shifts of emphasis in the CAO's operations, and formation of several interdepartmental committees. In the third and fourth stages, the new departments are formed and the reorganized system implemented.

Proposed Approach

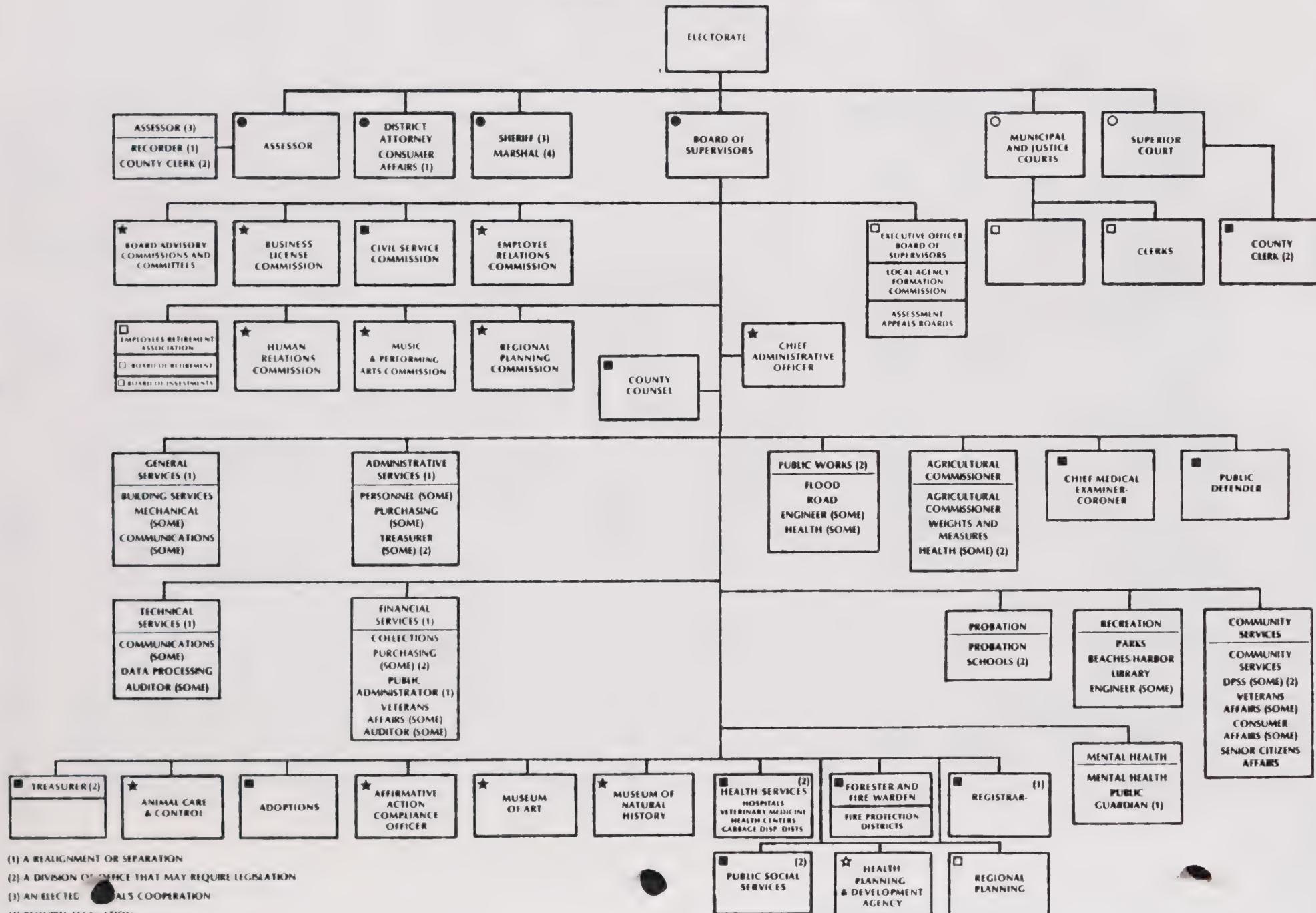
As we have explained, we prefer a comprehensive reorganization of the County system. That is, we suggest that the Board adopt reorganization as a goal. On the next page, we provide an example of the kind of change that we believe to be close to what is needed. The chart is not complete, and it reflects some ideas that may not in fact be the best program realignment, or achievable without major program changes. For example, it is incomplete in its treatment of the financial policy functions of the Auditor Controller. Similarly, it proposes an association of the Probation Officer with the Superintendent of Schools - a model that has not been, to our knowledge, implemented anywhere. Therefore, we suggest that it serve as a general example of the kind of goal the Board should adopt, rather than as a recommended structure. What is most important, in our concept, is that the Board adopt a reorganization plan, rather than a grouping of departments into agencies, with the program alignment designed as at present.

Thus, except in the strategic sense of a long-term goal, it is too early to decide on how to reassign programs and services, and it is much too early to order implementation of any specific reorganization.

Therefore, we recommend that the Board adopt a four-phase strategy to revise the County organization and the operations of the CAO's office. During the period of implementation, which we estimate as four to five years, we suggest that the Board suspend all organizational change not related to the goal and that the Board refrain from appointing department heads to current departments when vacancies occur, until after the organizational plan for those departments is concluded.

COUNTY OF LOS ANGELES

EXAMPLE STRUCTURE - FEASIBLE GOAL MODEL



(1) A REALIGNMENT OR SEPARATION

(2) A DIVISION OF OFFICE THAT MAY REQUIRE LEGISLATION

(3) AN ELECTED OFFICIAL'S COOPERATION

(4) REQUIRES LEGISLATION

During each phase, we recommend that the Board establish certain goals for all participants in the County's executive system, itself included. Therefore, during each phase the Board will establish expectations for CAO and department head actions supporting reorganization. In the following pages, we present an outline of the implementation strategy. During the first phase, none of the hierarchical or authority relationships would change. The Board would form agencies and committees of department heads, and designate one department head in each to the lead responsibility for redesigning the organization into fewer departments with a simplified structure. In subsequent phases, the Board would use early retirement, compensation incentives, and attrition to control the rate of implementation of the new structures. In all phases, the CAO would provide staff support in the design work, and the standardization of business systems would be part of the instructions to the department heads and CAO for each group.

RECOMMENDED PROGRAM

OBJECTIVES

Phase I (First Year)

Establish the framework for reorganizing the County.

Identify common functions, especially internal administrative and business functions.

Phase II (Second Year)

Establish the foundation for program management.

Phase III (Third Year)

Initiate program reorganization.

Phase IV (Fourth Year)

Complete reorganization of County system.

RECOMMENDED PROGRAM

STRUCTURES

Phase I (First Year)

Committees of Department heads

Weak Agency concept
(See Appendix I for a suggested initial structure)

Phase II (Second Year)

Internal Services Department(s)
Community Services Department
Mental Health Department
Recreational Facilities and Services Committee
Public Works Committee
Property Records Committee
Financial Services Committee

Phase III (Third Year)

General Services Department(s)
Financial Services Department(s)
Public Works Department(s)

Phase IV (Fourth Year)

See Page 23 an example

RECOMMENDED PROGRAM

BOARD ACTIONS

Phase I (First Year)

Adopt the weak agency concept and create the Internal Services Agency.

Form groups and assign one department head from each group to lead responsibility.

Reorganize/reassign Supervisorial committees to conform to groups.

Revise the ordinance on the CAO to reflect actual roles and establish expectations for planning and organizing functions.

Adopt a method to control CAO's reporting workload.

Suspend appointments to department head positions.

Phase II (Second Year)

Create the Internal Services Department(s) and appoint executive(s).

Adopt policy permitting program managers in consolidated departments to choose between purchasing services from Internal Services and contracting.

Adopt policy requiring all costs of Internal Services to be charged to programs of other operating departments.

Order the implementation of full cost accounting in all internal services functions.

Adopt revised incentive and retirement plan options encouraging reorganization.

Phase III (Third Year)

Seek enabling legislation if needed for consolidation.

Hold public hearing if required for consolidation.

Phase IV (Fourth Year)

Propose charter amendments or legislation as needed.

Abolish Board committee system.

RECOMMENDED PROGRAM

CAO ACTIONS

Phase I (First Year)

Revise activities of Management Services Division to include project management and organizational planning.

Design incentives policy to use early retirement, bonuses, and management compensation policy to encourage reorganization.

Work with Internal Services Agency and head to design Internal Services Department(s) and establish standards.

Phase II (Second Year)

Implement internal services reorganization.

Create inter-divisional and inter-disciplinary capability for strategic forecasting.

Establish the capability to report budgets in program and cost accounting structures.

Phase III (Third Year)

Implement long range budgeting.

Implement consolidated departments.

Implement capability for systems planning and evaluation.

Phase IV (Fourth Year)

Implement revised decision-making systems.

RECOMMENDED PROGRAM

DEPARTMENT HEAD ACTIONS

Phase I (First Year)

Cooperate on developing the organizational plan.

Identify commonalities of administrative and support functions and processes in each department.

Develop standards for salary ordinance development and inventory management policies.

Phase II (Second Year)

Implement integrated data processing systems.

Implement standardized administration and support processes.

Implement full cost accounting.

Phase III (Third Year)

Choose consolidation and reorganization strategies.

Adopt and implement program management

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CHAPTER I THE CURRENT STRUCTURE

Purpose and Function.

The Constitution establishes the County as a legal subdivision of the State. The purposes of County government are 1) to provide services on behalf of the State or the local electorate, and 2) to solve problems. The County delivers services on behalf of the State and on behalf of its own citizens. Services delivered on the State's behalf include health, welfare, justice, finance, elections, public record keeping, and environmental management. Problem solving refers to the functions of governance, both making decisions and enforcing regulations. In addition, the State requires the County to provide municipal services directly to residents of unincorporated areas, including police and fire protection, sewerage systems, building regulation and road maintenance. Finally, the County builds facilities and delivers services on behalf of its own electorate, such as museums, centers for the performing arts, and parks. Thus, the County delivers a variety of services to constituencies which are differentiated along geographic, social and economic lines. The services are not necessarily related to one another.

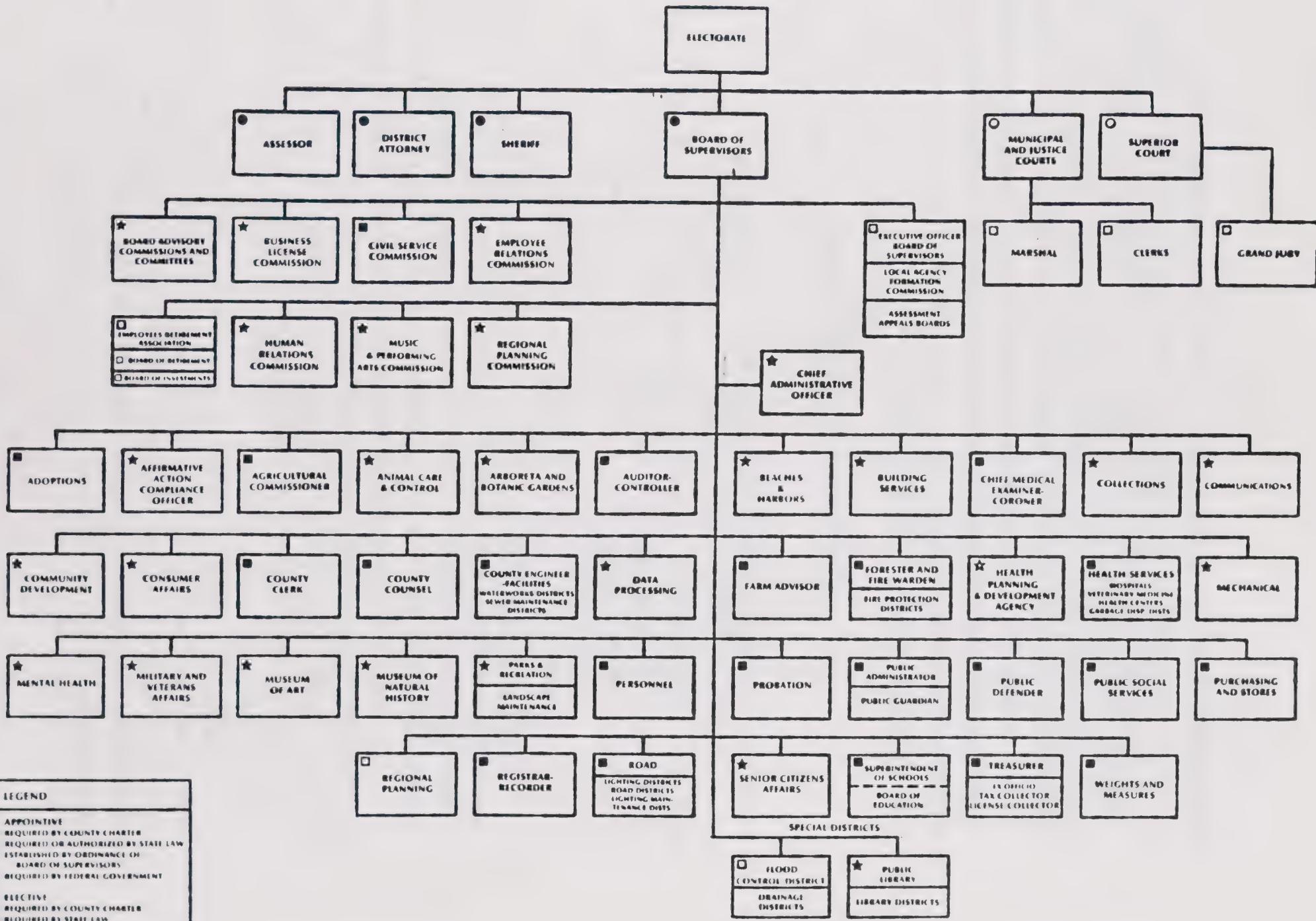
County Executive Structure

The executive organization of County government consists of elected and appointed officials organized into 55 separate departments, as shown in the official organization chart on the next page.¹ The County employs 70,000 people. It spends \$5.1 billion annually. Of the \$5.1 billion, \$1.4 billion is supported by local and discretionary revenues.

¹The official organization chart shows 64 separate units. Appendix V contains an explanation of how we defined and classified departments.

COUNTY OF LOS ANGELES

CURRENT STRUCTURE



Elected Officials

The elected officials of the County government include a Sheriff, District Attorney, Assessor, a five member Board of Supervisors, and the courts. The Sheriff, District Attorney and Assessor are elected on a Countywide basis. The Board of Supervisors is elected by district. The Superior Court and Municipal Courts are part of the State trial court system. They constitute a separate branch of government. The table below summarizes the current size of the workforce and budget for each.

Elected Executives
Departmental Budgets and Workforce
1982-1983

<u>Elected Official</u>	Budget (\$Millions)	Workforce (Positions)
Court System	180	4,100
Sheriff	390	7,800
District Attorney	90	2,000
Assessor	40	1,100
Board of Supervisors	10	200
Board Departments	<u>4290</u>	<u>54,800</u>
TOTAL	5,000	70,000

The Court System. Twenty-five Municipal Courts and the Superior Court for the County provide trial court services. The trial court system consists of some 400 elected officials and a variety of support agencies. The support agencies include the County Clerk, who is appointed by the Board of Supervisors.

Many county officials, whether elected, appointed by the courts, or appointed by the Board of Supervisors, are officers of the court in the performance of some of their duties. This applies, for example, to the Sheriff, the District Attorney, the Public Defender, the Public Administrator, the Public Guardian, and the Probation Officer.

Sheriff. The Sheriff is the chief law enforcement officer for the county. For the Superior Court, the Sheriff provides bailiffing and process serving. The Sheriff provides the custody of prisoners, police services to unincorporated County areas and to contracting cities, and investigative and support services to all areas of the County.

District Attorney. The District Attorney is the chief prosecutor for the County. The District Attorney investigates and prosecutes all felonies brought in the county and all misdemeanors brought in cities that have no prosecutor. In addition, the District Attorney enforces child support as ordered by the Court.

Assessor. The Assessor sets the value of taxable real, personal and business property in the County, under requirements established in State law and under general supervision of the State Board of Equalization.

The Board of Supervisors. The Board controls all the services and functions of the county government except those produced by the courts, the Sheriff, the District Attorney and the Assessor. In particular, the Board appoints all appointive officials of the County government.

Appointed Officials.

In addition to the five elected, the 55 departments of the County include three appointed by the courts and 47 operating departments appointed by the Board. Four of the 47 have been consolidated into two - the Board appointed the CAO as Director of Personnel, and the Board consolidated the Department of Beaches with the Department of Small Craft Harbors. For purposes of our analysis, we considered the four as separate units.

Viewed in terms of the primary consumers of their services, the 47 Board departments form three logical groups: 1) central staff departments, whose primary client is the Board, 2) internal services departments, whose functions primarily serve County departments, and 3) public services departments, whose principal constituents are the public at large or a population group. The classification is not exact. For example, Personnel functions meet our criteria for both internal services and staff, and we refer to the Personnel Department in the discussion of both groups in this report. Similarly, the Auditor-Controller meet criteria for both staff and internal services, and the County Engineer-Facilities meets the criteria for both for both internal services and public services.

Central Staff Departments.

Central staff departments are characterized by policy-development and enforcement roles supporting the Board's responsibility to develop and enforce management policies to administer the County. The paragraphs below contain brief

descriptions of the functions of the central staff departments.

The Affirmative Action Compliance Officer assists the Board in developing affirmative action programs and policies and provides the Board with statistics and analysis of departmental compliance.

The Auditor - Controller keeps the accounts of the county, certifies the financial records of the county, maintains accounting control over all receipts of the county, maintains monthly records of departmental expenditures and notifies the CAO and Board when departments are overspent. The Auditor processes and pays all claims on the county, including payrolls, conducts financial audits of county operations as required by statute, and has conducted performance audits of some operations for the Board.

The Chief Administrative Officer (CAO) assists the Board in determining a budget for the County as a whole. The CAO acts as the chief of staff services for the Board of Supervisors by supplying information and recommendations on legislation, finance, capital projects, and department management. The CAO administers the County's employee relations program including recommending negotiating positions to the Board and negotiating with the unions on behalf of the Board.

The Civil Service Commission decides employee appeals of management decisions in such matters as discharge, reduction, and suspension.

The Clerk of the Board keeps formal records of Board proceedings and makes them available to the public. The Clerk is the Secretary to the Board and to joint powers authorities to which the County is a party, provides administrative services for Board offices, processes the sale of bonds, and provides administrative support services for several county departments and commissions.

County Counsel advises the Board on the law and its application to County affairs and represents the County in litigation.

The Employee Relations Commission considers and approves employee representation decisions and investigates and decides charges of unfair employee relations practices.

The Director of Personnel administers the civil service and personnel functions for the county. The department creates and maintains a position classification system to provide over 3000 specialized classes of work, manages recruitment, selection, placement and continued training of county employees, and administers such regulatory and ministerial functions as the workers' compensation system, employee benefits (except retirement), and occupational safety.

District Staff is employed by each Supervisor for his or her district. Although the priorities of assignment differ for each district, district staff generally responds to or refers complaints from constituents, obtains information on operations from County department heads, works with community organizations to establish district priorities, keeps the Supervisor informed of the activities of County departments and organizations, and monitors the implementation of actions ordered by the Board or items of special interest to the Supervisors. District staff does not operate as a separate department of the County, but rather as professional and clerical staff for each Supervisor.

Summary. The table below summarizes the current appropriation and workforce for each of the staff departments of the Board's executive control system.

Board of Supervisors
Executive Control System¹
Departmental Budgets and Workforce
1982-1983

<u>Department</u>	<u>Budget (\$Millions)</u>	<u>Workforce (Positions)</u>
Board and Staff	5	110
Clerk of the Board	3	60
Chief Administrative Office	12	230
Auditor-Controller	18	380
County Counsel	13	240
Affirmative Action	1	10
Commissions (2)	1	10
TOTAL	51	1040

Internal Service Departments

Seven internal services departments are designed primarily to provide business and systems support to other County departments. The seven are: Building Services, Collections, Communications, Data Processing, Mechanical, Personnel², and Purchasing and Stores. In the paragraphs below, we describe the functions of these departments.

¹Table excludes Personnel functions to avoid double counting.

²The administrative production functions.

In the tables in this section, Operations refers to such production work of the departments as cleaning in Building Services, investigation and cashiering in Collections, and procurement in Purchasing and Stores. Direct Support refers to technical work which is analytical or supportive in character, including clerical support in Collections and transportation in Purchasing and Stores. Administration and Business refers to accounting, personnel and payroll processing; secretarial and clerical to support which is general in character; and management to the decision level, usually Assistant Division Chief or above. Appendix VI contains lists of the assignments we used for each category in each department.

The Department of Building Services provides custodial maintenance of County facilities and elevator operation in a few buildings. Its operating budget is \$42.6 million. It is credited with \$30.9 million collected from other County departments or districts as payment for its services. In turn, the County departments or districts incorporate charges for these services in their billing to Federal or State agencies and contract cities.

Of the department's appropriation of \$42.6 million, \$38.8 million, or 91%, is for salaries and employee benefits. The department is budgeted for 1,750 positions, of which 1,705 are presently filled. The table below summarizes the structure according to job titles.

Department of Building Services
Summary of Position Budget
1982-83

<u>Function</u>	<u>No. of Positions</u>	<u>Share of Budget (Percent)</u>
Custodial Operations	1602	91
Other Operations	56	3
Total Operations	1658	94
Administration and Business	20	1
Secretarial and Clerical	25	2
Management	46	3
Total Management and Administration	91	6
Total	1749	100

The Department of Collections collects and accounts for funds due the County for medical care, probation supervision, legal support, and other public services. It collects emergency loan payments. It also acts as court trustee in the

County's child support function by receiving, accounting for, and managing the disbursement of money paid for child support.

The department's operating budget is \$12.4 million. It is credited with \$9.3 million in revenue, including partial payments for its services by other County departments and collections from billed parties retained as department income. In addition, the department collects revenue amounting to \$40 million which is credited to the Department of Public Social Services, the Probation Department, and the Department of Health Services, and \$25 million which is disbursed to custodial parents in the District Attorney's Child Support program. Thus, the department collects a total of \$74.3 million. In addition, it assists other County departments in the management of \$43 million grant revenue.

Of the Collection department's appropriation of \$12.4 million, \$9.8 million, or 79% is for salaries and employee benefits. The remainder represents the department's investment in systems and in contracted services. The department is budgeted for 462 positions, of which 405 are presently filled. Over half (220) of the positions are allocated to collections for health services. Approximately 20%, or 95 positions, are allocated to the child support function, and 15%, or 60 positions to Probation and welfare. The table below summarizes the position budget by type of job.

Department of Collections
Summary of Position Budget
1982-83

<u>Function</u>	<u>No. of Positions</u>	<u>Share of Budget (Percent)</u>
Collection Operations	350	76
Administration and Business	60	13
Secretarial Support	35	7
Management	17	4
Total Management and Administration	112	24
Total	462	100

The Department of Communications provides the engineering, design, planning and acquisition of communications systems, including such devices as radios, telephones, microwave systems, information systems, and building networks in addition to telephone, messenger and mail systems, for all County departments in all

facilities. The department has managed the County's participation in the 9-1-1 project, and it represents the County before regulatory bodies affecting communications functions.

The department's current budget is \$46.0 million, including \$23.9 million billed to other departments for telephone company charges. Of the remaining \$22.1 million, the department collects \$10.9 million in accounting transfers or revenue from other County departments. The department's major customers are Sheriff, Fire and Health.

Of the department's operating appropriation of \$22.1 million, \$16.4 million, 74%, is allocated to employee salaries and benefits. The department is budgeted for 573 positions, of which 540 are presently filled. Of those positions, 59% are allocated to telephone and mail operations, 26% to systems maintenance, 5% to systems engineering, and 9% to management and administrative support. The table below summarizes the position budget by type of job.

Department of Communications
Summary of Position Budget
1982-83

<u>Function</u>	<u>No. of Positions</u>	<u>Share of Budget (Percent)</u>
Operations	338	59
Maintenance	13	2
Engineering	135	24
Total Maintenance and Engineering	148	26
Total	486	85
Administration and Business	34	6
Secretarial and Clerical	38	6
Management	15	3
Total Management & Admin.	87	15
Total	573	100

The Department of Data Processing provides centralized computer systems and operations support for all County departments. Its operating budget is \$74.4 million. Of that amount, it collects \$73.5 in transfers and revenue from billing other County departments.

Of the appropriation of \$74.4 million, \$40.1 million, or 54%, is allocated to

employee salaries and benefits. The remainder is paid to vendors, principally for leasing computer equipment (21%) and for professional services (10%).

The department is budgeted for 1289 positions, of which 1220 are currently filled. Approximately 43% of the position budget supports County health and welfare programs. Approximately 36% support other departmental programs, primarily those associated with justice, the courts, and such general government activities as elections, taxation, and property records. The remaining 21% of the positions support business and administrative functions, including accounting, payrolls, personnel, and property management for the County as a whole and receivables and payables for County departments other than health and welfare. The table below summarizes the position budget by type of job.

Department of Data Processing
Summary of Position Budget
1982-83

<u>Function</u>	<u>No. of Positions</u>	<u>Share of Budget (Percent)</u>
Operations	1083	84
Administration and Business	56	4
Secretarial and Clerical	80	6
Management	70	6
Total Management and Admin.	206	16
Total	1289	100

The Mechanical Department provides building craft services to alter, repair and maintain County facilities. In addition, the department supplies fleet maintenance, parking services, building security services and business machine repair to most County departments.

The department's budget is \$110.3 million, including \$25.0 million in charges for utilities. The department collects \$48.8 million in accounting transfers or revenue from other County departments and districts. However, departments do not finance the cost of utilities.

Of the department's \$85.3 million operating budget, \$59.2 million, or 69%, is allocated to employee salaries and benefits. Of the remainder, \$17 million is spent for professional and technical services. The department is budgeted for 1520 positions, of which 1508 are currently filled. The department allocates 66% of its

positions to facility operations and maintenance, 10% to alterations and 14% to vehicle maintenance, 2% to machine repairs, and the remainder to management and administrative support. Of the 66% allocated to operations and maintenance, the department assigns 42% to maintenance, 13% to parking and security, 8% to power plant operations, and 3% to technical support. The table below summarizes the department's position budget by type of job.

Mechanical Department
Summary of Position Budget
1982-83

<u>Function</u>	<u>No. of Positions</u>	<u>Share of Budget (Percent)</u>
Operations	1313	87
Administration and Business	112	7
Secretarial and Clerical	53	3
Management	42	3
Total Management & Admin.	207	13
 Total	1520	100

The Department of Personnel produces such services as recruitment and selection of employees, claims management, and employee benefits administration with a total budget of \$15.4 million, of which \$12.9 million, or 84%, is for employee salaries and benefits. Of the total \$15.4 million, the department collects \$10.9 million in accounting transfers and revenue from other County departments.

The Department of Personnel is budgeted for 403 positions, of which 400 are currently filled. The department allocates approximately 42% of its positions to recruitment and selection, 39% to occupational health and safety, 13% to employee development, and the remainder to administration and support. The table at the top of the next page summarizes the department's position budget by type of job.

Department of Personnel (Services)
Summary of Position Budget
 1982-83

<u>Function</u>	<u>No. of Positions</u>	<u>Share of Budget (Percent)</u>
Operations	215	53
Administration and Business	14	4
Secretarial and Clerical	159	39
Management	15	4
Total Management & Admin.	188	47
Total	403	100

The Department of Purchasing and Stores manages all procurement for County departments in accordance with state and County law. The County charter (Section 24) designates the Purchasing Agent as the buyer of all personal property for the County and for all other officers. In addition, the Purchasing Agent performs printing services for County departments and operates central stores and warehouses for materials used by most County departments. The department purchases approximately \$300 million annually in goods and services and maintains stores stock at the \$8 million level.

Purchasing and Stores
Summary of Position Budget
 1982-83

<u>Function</u>	<u>No. of Positions</u>	<u>Share of Budget (Percent)</u>
Operations	152	54
Technical Support	13	4
Logistical Support	29	10
Operations and Support	194	68
Administration and Business	21	7
Secretarial and Clerical	59	21
Management	13	4
Total Management & Admin.	93	32
Total	287	100

The department's budget for regular operations is \$10.3 million. Of that

amount, it collects \$5.0 million in accounting transfers and revenue from other County departments and districts. Of the departments' \$10.3 million budget, \$8.0 million is allocated to employee salaries and benefits.

The department is budgeted for 287 positions. Approximately 152, or 53% are engaged directly in the services of procurement, printing and stores management. Another 42, or 14%, are engaged in analytical and logistical support functions. The remaining 93, or 32%, are engaged in administrative and managerial support functions. The table on the previous page summarizes the position budget by type of job.

Summary. In total, the internal services departments spend \$311.4 million annually, including \$48.9 for utilities. On the average, 71% of their annual operating costs are for in-house labor. They employ a workforce of 6,284. They bill approximately 72% of their operating costs to other County functions.

The table below summarizes the total position budget for these seven departments.

Summary of Position Budgets
Internal Services Departments
1982-83

<u>Function</u>	<u>No. of Positions</u>	<u>Share of Budget (Percent)</u>
Technical Operations	4770	76
Direct Support	529	8
Total Operations	5299	84
Administration & Business	317	5
Secretarial and Clerical	449	7
Management	218	4
Total Admin. & Management	984	16
Total	6283	100

Public Service Departments

The remaining 33 departments whose heads are appointed by the Board produce services and perform regulatory functions directly consumed by the public or a subgroup of the County population. Of the 47,678 employed by these departments, 22,070, or 46%, provide the hospital care, public health services and regulation, and research services offered by the County's Department of Health

Services.

Another 10,110, or 21%, provide the eligibility determination, control, and regulatory functions of the financial assistance services to the poor and associated social services.

None of the 33 Board-appointed public service departments has between 5000 and 10,000 employees. Seven employ workforces of between 1000 and 5000 positions. They are Probation (3200), Fire (2350), Road (1600), Mental Health (1400), County Engineer-Facilities (1210), Flood Control (1154), and Parks and Recreation. These departments, with 10,910 positions, account for 23% of the workforce in Board-appointed departments..

Each of the remaining 24 departments appointed by the Board has fewer than 1000 employees. Eight have fewer than 100. As a group, these departments account for 4,580 positions, less than 10% of the total employed by Board-appointed public - service departments. That is, in the 33 separate departments, 24, or 73% of the department heads, manage less than 10% of the County's workforce.

The table below summarizes the Board's departmental structure for public services.

Departmental Structure of Public Services
1982-83

<u>Size</u>	<u>Number of Departments</u>	<u>Number of Positions</u>
More than 20,000	1	22,070
10,000 - 19,999	1	10,110
5,000 - 9,999	0	0
1,000 - 4,999	7	10,910
Fewer than 1,000	<u>24</u>	<u>4,580</u>
Total Public Services	33	47,670

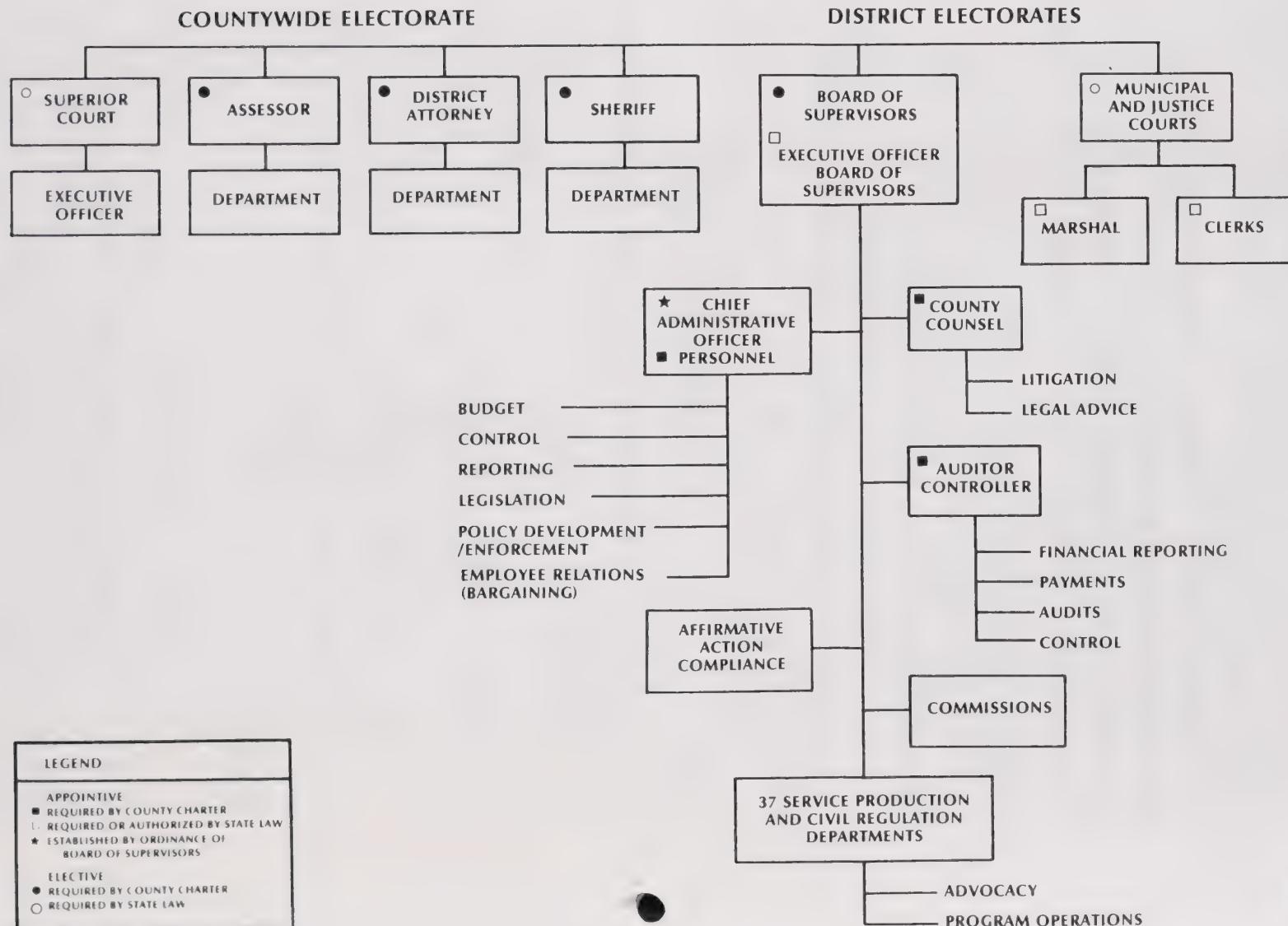
Summary

The task force has described the executive decision-making and control system of Los Angeles County government. The official chart shows 64 separate units. We exclude nine from classification as departments. Of the remaining 55, eight are headed by elected officials or appointed by elected officials other than the Board of Supervisors, and 47 are appointed by the Board. Among the 47 Board departments, we distinguish seven providing staff and policy support to the Board,

COUNTY OF LOS ANGELES

EXECUTIVE STRUCTURE

1982-83



seven providing internal services to County departments, and 33 providing direct services to the public. The table below summarizes the distribution of resources among the various types of units. The chart on Page 45 summarizes the structure in schematic form.

Los Angeles County Government¹
Executive Structure
1982-83

<u>Type of Executive</u>	<u>Number of Departments</u>	<u>Number of Positions</u>
<u>Elected</u>	8	15,000
<u>Appointed By Board</u>		
Central Staff	7	1,040
Internal Services	7	6280
Program Services	<u>33</u>	<u>47,680</u>
Total Board	47	55,000
Total County	55	70,000

¹ We count the twenty five independent Municipal court districts as one department. This count excludes the Board itself. Personnel assigned to Internal Services.

CHAPTER II DECISION AND POLICY-MAKING PROCESSES

County government is in many different businesses, which it operates through the decentralized decision structure described in the previous Chapter. In this Chapter, we discuss the roles of three elements in the structure, and the major relationships among them. They are the Board of Supervisors, the Chief Administrative Officer, and the department heads. We concentrate on the 47 department heads appointed by the Board. Through the budget, Board and CAO actions strongly affect other elected officials and the officials they appoint. However, elected officials establish policy for their own operations and no one can direct them in the conduct of their functions. Therefore, except as noted in the text, our analysis is confined to the department heads appointed by the Board.

Decision-Making

As a political entity, the County makes two kinds of decisions. The first is political. The Board and other officials must attempt to interpret public policy, respond to the needs of constituents, and conform to the laws established at all levels of government. The second kind of decision is managerial, or administrative. The Board and other officials allocate resources, organize them, and direct them.

The distinction is not absolute. Many of the County's management decisions are also political. For example, the County's management systems affect employees and private companies who do business with the County. Both groups are organized and politically active. Therefore, some overlap of management and political decisions is inevitable. The function of decision-making always has political results, since what the system produces is political. Nevertheless, we retain the distinction because not all decisions are equally political and managerial. We concentrate on the system of making managerial decisions and on relationships which have an impact on the degree to which decisions are determined politically rather than according to management principles. When we use the words system, policy, and decision, we are referring to management or to the managerial component, rather than to the political.

Board of Supervisors

As chief executive of the County, the Board:

- adopts an annual budget for all County operations, including those of the other elected officials and their departments;
- enters into all contracts to which the County is a party, including contracts with employee unions;
- establishes the organization of the County;
- appoints public officers and ministerial officials as provided in the Charter and the statutes to manage the delivery of services and regulatory functions;
- appoints such administrative commissions as the Civil Service Commission to assist it in managing County affairs as provided by Charter or statute;
- establishes the number and compensation of County employees;
- establishes operating policies for County services and regulatory functions, except those of other elected officials, and directs the heads of County departments in the execution of those policies;
- adopts positions on legislation and develops proposed legislation.

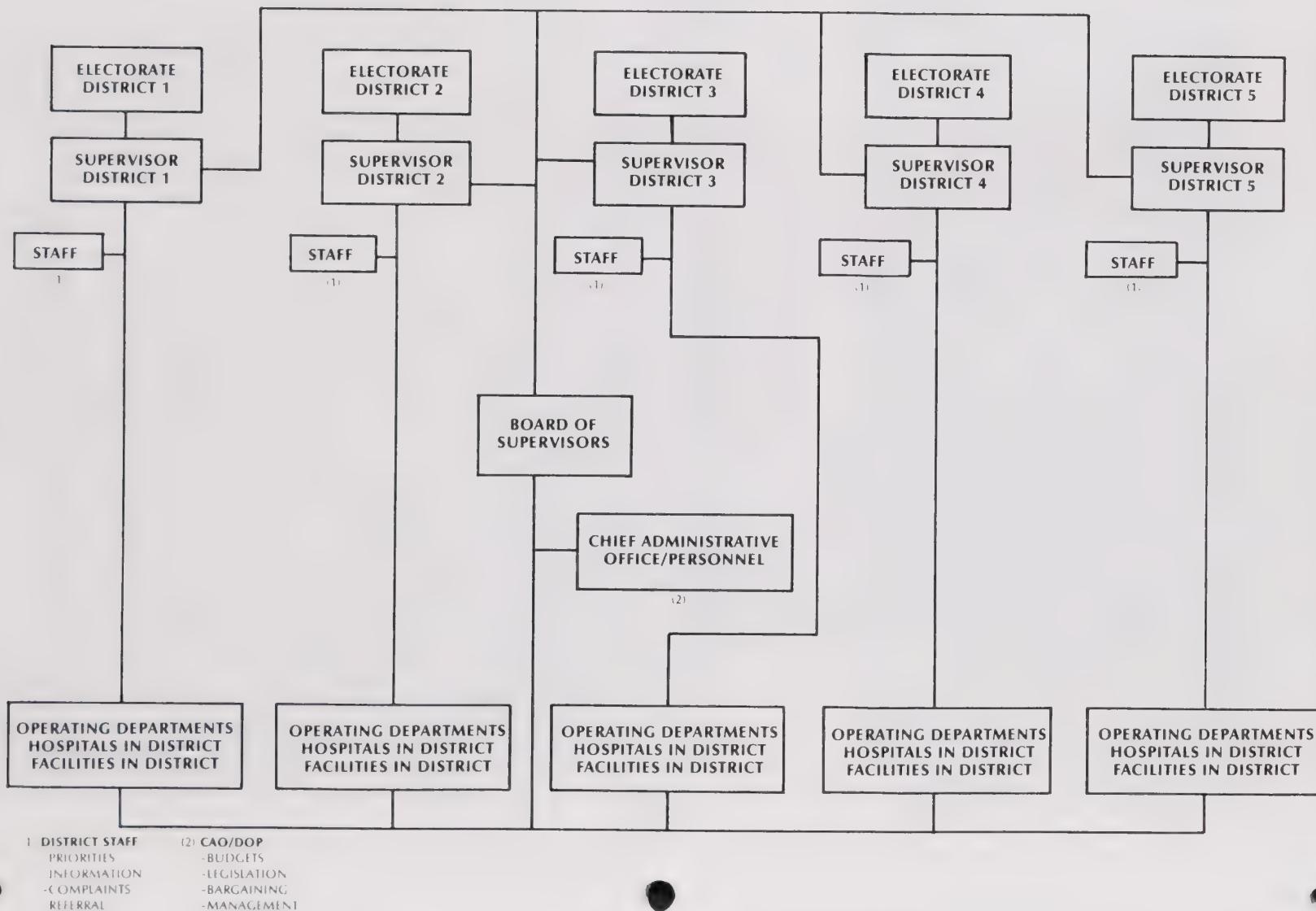
Decision System. The Board makes its decisions at weekly public meetings. Typically, its agenda consists of over 100 items for adoption. Most of these items are contracts. Some are proposals by County departments to initiate, carry on or change some function or operation. Some are initiatives of a Board member or the CAO to change or reaffirm some County operating policy, introduce a new system, or initiate a new program.

Administrative and management systems decisions are seldom matters for formal Board consideration. For example, of more than 900 items formally placed on the Board's Agenda between April and December, 1981, at most 30 proposed decisions affecting the County's management systems or policy. The great majority of formal Board decisions are routine contracting or property management decisions. These are purely administrative decisions to execute or implement financial transactions that the law requires the Board to decide. The management systems supporting the decisions have already been reviewed by the CAO. The policies leading to them are already established, and the basic financing provided in the annual budget.

LEGISLATIVE AND POLICY OVERSIGHT

COUNTY EXECUTIVE STRUCTURE

1982-83



The Board decides matters that are not placed on the Agenda but rather are proposed by Supervisors, staff, or the public during Board meetings. Most such matters are requests for information or action from a County unit. Some are requests to the CAO or other staff to review a policy or audit a department.

Organization. To partition the work of controlling 47 separate units, and to maintain policy direction over each, the Board organizes itself into committees of one Supervisor. Each Supervisor assumes responsibility to oversee the operations of a group of departments. In addition, each Supervisor retains policy oversight for major County programs or facilities located in the District. Thus the departments of Beaches and Small Craft Harbors are always assigned to the Fourth District Supervisor, and each hospital is assigned to the District in which it is located. The Chairman of the Board assigns each department to a Supervisor upon taking office as Chairman. Decisions on finance and policy must be referred to the Board as a whole for final action. A schematic of the system appears on Page 49. A table of the current assignment of departments to the Board appears on Page 51.

In addition to the geographical, the factors which influence the assignments may include 1) the professional interests of the incumbent Supervisor, 2) the political significance of the departments in the Supervisor's district, 3) the functional relationships among the departments. Current assignments recognize the district location of such major facilities as hospitals and resources as beaches. They also recognize some of the commonalities of function among departments. For example, all of the internal services departments are grouped for oversight among the departments assigned to the First District Supervisor. Several, but not all, of the departments specializing in social services to specific constituencies are grouped for oversight among the departments assigned to the Second District Supervisor.

Priorities. What a Supervisor does in discharging the oversight function as a department chairman depends on the professional interests - political and managerial - of the Supervisor, on the needs of the district, and on the needs of the department for support or supervision.

Supervisors are active as elected officials representing a specific geographic constituency. Whether or not they have experience with or interest in bureaucratic management, they are not elected to function principally as managers.

Supervisors' executive functions as department chairmen thus reduce to four. Their first and primary interest in departmental activity is to make sure that the department provides meaningful and equitable service to their constituents, and that the service is at least equivalent to services in the other four districts. Second,

DEPARTMENTAL ASSIGNMENTS OF BOARD OF SUPERVISORS

1982-83

the Supervisor's oversight is intended to ensure that departmental actions conform to those aspects of the County's systems and policy that protect the public from the abuse of political power. The department head's communication with the Supervisor is intended to ensure that potential problems are known in advance and that timely Board action to correct them can be proposed when necessary. Third, the Supervisor as chairman and the department head can exchange information and ideas affecting department operations, particularly when the Supervisor's support is needed for Board action on a budget, personnel, or legislative issue. Fourth, the Supervisor can demand information from department heads about operations and can demand that the department head respond to Board policy changing the method of operations. For example, the Board has shifted priority to implementing Charter provisions permitting contracting with private firms for service delivery. The chairmanship system is intended to ensure that opportunities for contracting are known and discussed at the executive level.

Constraints. The Board's authority as chief executive is constrained by law in ways that do not generally apply in corporate organization. The Board may not delegate its discretionary responsibilities, including the responsibility to appoint officers. It cannot direct or otherwise interfere with another official's exercise of statutory powers, whether the official is elected by the public or appointed by the Board. It has no authority to change the statutory duties of an elected or appointed official by assigning additional duties or shifting duties to another official. That is, it cannot divide or combine offices.

Summary. The Board of Supervisors is the Chief Executive of the County. It makes all final decisions. It meets weekly. It divides up its control among the Supervisors by assigning oversight for a group of departments to each. The degree to which the oversight is managerial depends on the Supervisor and the needs of the District. The Board is responsible for departmental organization and operations, but its powers are constrained by law.

Chief Administrative Officer

Creation of the Office. The Chief Administrative Office (CAO) was created in 1938 following the recommendations of several citizens' commissions to centralize administration in a County manager. The Board appointed the Purchasing Agent as its first CAO. The historical context is instructive for an understanding of how the CAO functions and why it functions as it does. In 1938, the reasons for creating the position of the Chief Administrative Officer were:

- The number of separate County departments exceeded fifty.
- Supervisors were confronted with enormous responsibilities for administrative detail. Their power to influence the details of program operations was viewed with alarm by program administrators.
- County costs had increased by 50% in five years. The Supervisors were facing a taxpayers' revolt.
- Once budgets were adopted, the County lacked any central control to ensure their enforcement.
- County government had a national reputation for poor and inefficient organization. Citizens groups and political theorists continued to call for centralization of management functions in a single, strong executive.

The Supervisors chose, in Los Angeles County and in most urban counties, to compromise by centralizing their administrative responsibility in a weak administrative officer, created by ordinance rather than Charter amendment, whose major roles would be to execute the Board's administrative decisions and to assist the Board in making those decisions. The Board would retain all executive authority; the CAO could only recommend. The office is assigned its duties by ordinance of the Board.

Decision System. The central role of the CAO in the County's decision-making system is still to recommend actions to the Board and to execute the Board's decisions on its behalf. Thus, the Chief Administrative Officer functions primarily in the role of chief of staff in relationship to the Board of Supervisors and as chief financial officer/controller in relationship to County department heads. The CAO fills these roles by performing three major functions: 1) producing recommendations for Board review and action, 2) responding to Board and Supervisor's requests for additional data, information, or analysis, and 3) controlling departmental actions by recommending that the Board approve or disapprove items proposed for Board action by County departments.

In 1976, the Board of Supervisors appointed the present Chief Administrative Officer to the additional position of Director of Personnel. As Director of Personnel, the CAO has the responsibility to produce a full range of personnel services for County departments, including recruitment and selection of employees, administration of employee benefit programs, regulation of safety and health conditions, and employee development and training.

Organization. The CAO uses a functional form of organization, illustrated on the next page. The primary areas in which the CAO acts as staff and exercises control on behalf of the Board are:

- Budget and finance,
- Legislation and intergovernmental programs, including contract cities,
- Management systems,
- compensation of County employees, including incentives,
- Collective Bargaining.

In addition, the CAO manages several activities which the Board centralized to improve its control. These include:

- public information and public relations,
- disaster planning and coordination,
- energy and energy conservation planning.

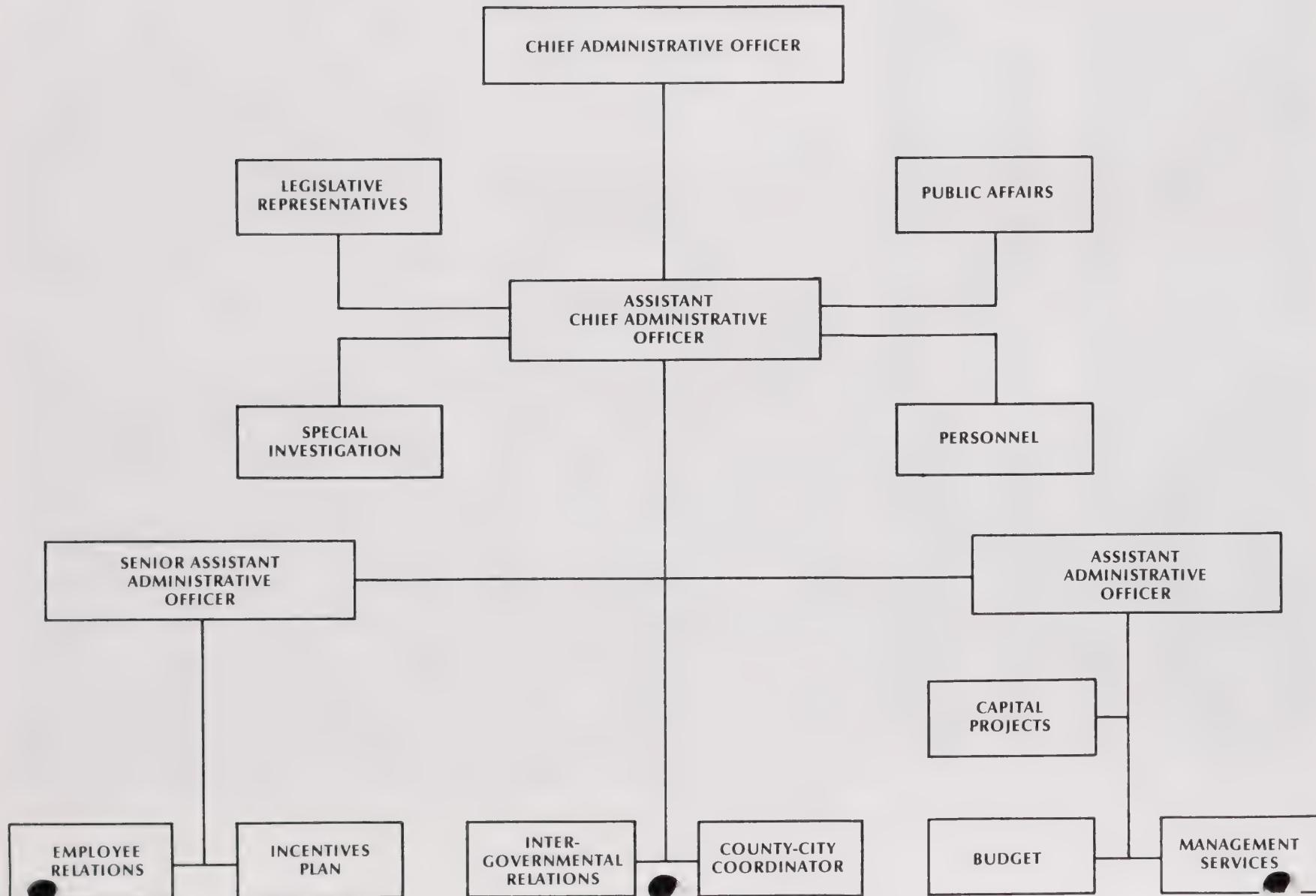
Each division interacts with the others. For example, management improvements proposed by the management services group are meaningless unless budget provides for financing; the legislative group has the linkages in Sacramento and Washington to supply useful financial information for budget forecasts; collective bargaining can only proceed when based on a firm projection of the County's financial status.

Budget. The current budget of the CAO's office is \$12 million. Of that amount, \$3.9 million is financed by funds of other County departments for special services, and \$0.2 million is financed by grants. Thus, the net cost of the function to the County is \$7.8 million. The office employs a workforce of 230, of which 150 are management or professional positions, and 80 are clerical or support positions. The current budget of personnel services produced by the CAO is \$15.4 million. Of that amount, \$3.3 million is financed by other County departments, and \$7.6 million by grants or subventions. The net cost is therefore \$4.5 million. The office employs a workforce of 403, of which 192 positions are managerial or professional, and 211 are clerical or other.

The table below summarizes the distribution of budgeted positions among the various functions of the CAO / Department of Personnel.

CHIEF ADMINISTRATIVE OFFICE

1982-83



Chief Administrative Office
Share of Position Budget
 1982-83

<u>CAO Functions</u>	<u>Number of Positions</u>	<u>Percent of Total</u>
Budget Finance and Control	68	30
Bargaining	45	20
Public Information	38	16
Management Improvement	33	14
Legislation and Control	27	12
Other	19	8
Total CAO	230	100
 <u>Personnel Functions</u>		
Recruiting and Selection	136	34
Employee Health and Safety	122	30
Classification	76	19
Employee Development	43	11
Research and Support	26	6
Total Personnel	403	100

Processes. Each of the CAO's major divisions manages processes and produces output which contribute to the functions of staff to the Board or control of departments. We have designated these processes as Standardized Reporting, Specialized Reporting, Control, Support, and Policy Management. By standardized reporting, we mean the staff information and recommendations contained in the annual budget documentation, legislative programs, and scheduled management audits. By specialized reporting we mean responses to Board requests. These include reports, information and analyses that are produced, frequently on a one-time basis, because the Board asks for them. By control we mean activities directed at recommending Board action to approve the proposals of a department or at direct intervention by the CAO in the activities of a department. By support we mean activities which produce such work as press releases, photographs, speeches and other materials produced for the use of Supervisors and their staffs. By policy management, we mean such CAO activities directed at initiating, developing, evaluating and implementing new or changed County policy as the development of the capital asset leasing corporation, adjustments of retirement funding, and the incentive compensation plan.

Priorities. Budgeting and compensation are the historical priorities in the

CAO's office. The CAO's control of the budget preparation process represents the primary means by which the CAO fulfills the role of executing the Board's administrative decisions. Employee compensation represents over 80% of the County's controllable costs.

These are still priorities. In addition, the increasing dependence of the County on State and Federal policy has created a priority for legislative work in the CAO's office. However, the emphasis of the CAO's role has shifted, in the five years since Proposition 13, from forward planning to control processes.

Planning. As the annual financial plan, the budget is the single most influential means the County has to implement Board policy. The Board function of appropriating funds determines which functions of County departments will be performed and at what level of priority. Currently, the planning focus of budgeting is on:

- short-term forecasting of the State's position and the County's likely share,
- maintaining current revenue and identifying new sources,
- identifying methods of cutback management to enable operating departments to function within targets,
- generating capital using cash flow management, short-term debt and the sale of property.

Legislative work supports planning, in the sense of establishing a strategy and formal system of priorities for County activity during a legislative session. The County plans for new programs, adjustments of State / local financial arrangements, or other initiatives promoting State support of County programs.

Recently, the Board and the CAO have initiated several efforts to establish an overall, organized approach to policy-making and program development through legislative action. For example, this year the County is proposing a major program of work simplification to reduce the County costs associated with detailed State or Federal regulation of the County's methods of doing business.

Control. Since a budget is nothing more than a plan, its enforcement and implementation are crucial. So is its adjustment as conditions change and unanticipated needs arise through the fiscal year. Budgetary control is a traditional function of the Chief Administrative Office. The nature of the control and its depth varies according to the situation the Board is facing and the Board's willingness to centralize control rather than rely on operating departments for

budget compliance.

Proposition 13 and its subsequent implementation by the California legislature changed the priority of the budgeting process from planning to resource allocation and control. The Board no longer has the ability to manipulate local sources of financing. The property tax rate is fixed, and the growth of the assessment base has slowed. The County's share of the total is established by statute. The dominant share of County revenues, over 60%, is determined by decisions of the State and Federal governments. At most, the Board's decisions affect the priority to be assigned to each operation relative to the others. However, a Board decision to increase the allocation for one category or program must be accompanied by a corresponding reduction in another.

Recently, the Board has limited the authority of department heads to act within current appropriations. Regardless of whether an item is included in the Board approved appropriations for a department, the department must obtain CAO approval before spending the funds. The reason for this high degree of control is the extraordinary volatility of County revenue and expenditures. If one department does not realize anticipated revenue, or if its expenditures exceed appropriations, the controls permit refinancing of that department's operations out of the underspent appropriations of the others. The strong centralized control provides the Board with the flexibility to modify budgets through the year and to shift funds among departments.

Like the budgetary functions, the legislative functions have changed in character and in significance since the late 1970's. Now the primary focus is control rather than planning. The main issue is maintaining State / County finances. Planning is subordinate to protecting the County's financial position in competition with other jurisdictions. In the past, this control function was important because the general public, County employee unions, County department managers, providers of service, political rivals of County Supervisors, and other County partners or competitors had equal access to the Legislature. However, since the local tax base was available as a relief valve, the planning and advocacy processes of the legislative function had priority.

Constraints. The Board's formal definition of the CAO's role in the County

system is an ordinance and codified in the County's administrative code.¹ That formal definition, together with the sections of the Government Code and other statutes to which they refer, is the basis of the CAO's functions and organization.

The ordinance both defines and limits the CAO. Its provisions establish centralized budgetary controls. They permit articulation of precisely the kinds of goals the CAO has adopted - financial control through close budgeting and approval of department heads' hiring and purchasing decisions. They focus on codified State budgetary routines. They do not mention multi-year planning and forecasting.

The ordinance contains a provision which formally establishes the strongest constraint on the CAO in relationship to departments. It States: "No provision of Ordinance 4099 shall be deemed or construed to grant any authority to, or impose any duty upon, the chief administrative officer which is vested or imposed by general law or the Charter of the County of Los Angeles in or on any other County officer, Board, commission, department or employee." (County Code, Section 2.08.140.) That is, the CAO has no authority to direct department heads in the performance of their duties.

Summary. The Chief Administrative Officer acts as chief of staff in relationship to the Board, and as controller/financial officer in relationship to departments. Current priorities are on budgeting, collective bargaining, and legislation. The workload consists of standardized documentation, reports on special matters, and recommendations to approve or disapprove an action proposed by departments. Planning functions are performed, but they have been subordinated to control because of the dependence of the County on State and Federal decisions.

Functions of Department Management

Decision System. Department managers are responsible for the functions and activities of their departments. They organize the departments, and they direct their subordinates in the conduct of the work. They forecast and plan for matters affecting their programs, including finance and legislation.

In order to maintain and preserve their programs and retain some control, department executives spend major energy and time on negotiating budgetary

¹We refer primarily to the County Code Chapter 2.08. In addition, provisions on the CAO's functions and roles can be found in Sections 2.06.100 of Chapter 2.06 and in Chapter 4.12.

decisions with Board members, other elected officials, and the Chief Administrative Office, and on maintaining contact with their departments' constituents.

Organization. County departments use as many forms of organization as there are departments. However, there are a few general characteristics. First, most departments make extensive use of a one-one management structure at several levels in the department. That is, since the Director spends considerable time with the Board and CAO, the department has a Chief Deputy. Frequently, Branch and Division Chiefs may also have Chief Deputies or assistants. The organizations are highly vertical. Larger departments also use a districting structure for assigning accountability for the work geographically and, in some cases, as a control on clientele. Regardless of whether they establish geographical hierarchies, all County departments are decentralized to provide services in all areas of the County. Many departments have headquarters facilities dedicated to their operations. For example, the Department of Collections, the Treasurer, and the Purchasing Agent are located in separate facilities, as are the Mechanical and Building services departments.

Staff departments tend to use team structures to accommodate the hierarchical decentralization of the County's departmental structure. Budget and Management Services are structured in teams in the Chief Administrative Office. Internal and Public Services which perform geographically decentralized work in small areas form small crews to do it; examples include the public safety functions. All departments except the smallest have an apparatus for administrative and support functions like the ones we outlined in Chapter I. They maintain finance and accounting, payroll, personnel, and procurement personnel to work with the central staff and internal services departments. Some small departments purchase these services from another department rather than producing them internally. For example, Consumer Affairs and the CAO purchase payroll and personnel services from the Clerk of the Board.

Priorities. The most fundamental requirement for each County department is to ensure the continuing priority of its service in competition with other services. The role of the department executive, therefore, emphasizes marketing the department's system of producing and delivering the service among its constituents, its funding sources, and the elected officials who control its financing and organization.

Within this framework, the goals of the department executive are similar to those of the executives of subsidiaries of a corporate conglomerate:

- maximize earnings and net income,
- provide valuable goods and responsive services,
- increase the number of customers

Summary

The executive decision-making system consists of the Board, CAO, and department heads. The Board is chief executive. It uses a committee organization to distribute its control among the Supervisors. The CAO acts as staff to the Board and controller to the departments. The CAO is not the overall manager of County operations. Priority is on control; the most significant areas are budget, legislation and bargaining. The heads of operating departments are advocates for their programs. They manage their functions through a wide variety of internal structures.

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CHAPTER III PROGRAM OBJECTIVES

In this Chapter, the task force discusses the objectives of the program we recommend for Board adoption. In subsequent Chapters, we discuss the strategy we recommend for implementation and present the outlines of a plan the Board can use to track implementation.

Need for Change

Accomplishments. We reviewed the County's accomplishments of reducing costs and improving management systems. Over the past eight years, the County has:

- reduced the workforce by 14,000 positions, of which 8,000 are full-time permanent positions, without massive layoffs;
- proposed Charter Amendments adopted by the public to reform the civil service system - reforms supported by our commission for years;
- implemented the Charter Amendments by establishing new civil service rules and developing contracting programs;
- implemented productivity-improvement programs and compensation-based incentives programs;
- obtained support and action from the State for legislative initiatives affecting the County.

Current Status. The County has paid a price for these gains. Reductions in the workforce have been accomplished through attrition accompanied by strong hiring freezes. Since the County has little control over which positions are vacated by attrition, the results include distortion of organizations. Further, since the County is required by law to maintain certain services at mandatory levels, and may be financially penalized for failing to maintain the required level, the tendency has been to concentrate the reductions in areas where penalties do not apply or are less severe. The results have stretched departmental resources to the limit in some programs. For example, such local programs as the County Engineer have sustained deeper cuts of resources than State and Federal programs administered by the County.

In our view, it is reasonable to maintain the integrity of the County budget in the current system through such centralized controls. They permit the County to

refinance the operations of under-funded departments throughout the year. The County cannot accurately predict revenues, and the demands for its services are outside of the scope of County control. Although the County's dependence on State and Federal decisions has increased, the County cannot rely on their consistency or predictability. Thus, it is not surprising that some departments are underfunded for needs that are unanticipated at the time the budget appropriations are decided.

However, our interviews revealed that department heads are beginning to show signs of denying accountability for their operations. They must seek approval from the CAO for hiring and purchasing, regardless of whether the Board appropriated funds in the approved budget for the positions or items. The requirement for centralized approval of such day to day decisions substantiates their claim that the CAO is accountable. In turn, the CAO denies accountability because he has no authority to compel department heads to change their operations.

Therefore, we conclude that one price of this method of cutback management, in the current County system, is an erosion of accountability.

The other methods also have a price in the current system. Effective investment in productivity improvement and contracting systems requires a long-term orientation to planning and evaluation. Experience has shown them to be most effective in large systems when practiced on a system-wide basis, according to standards that are established centrally, and evaluated according to return-on-investment criteria.

In the current system in Los Angeles County, we found at most short-term planning and evaluation, and no standards. The primary reason for the County's short-term orientation is its dependence on the State for revenue and the nature of its relationship to the State as a subdivision. The reason for the absence of standards is the absence of any efficacious means to enforce them. One price is that the productivity improvements and uses of contracting are less effective than they could otherwise be. Another price is that the emphasis on using them could vanish if the politics of the County change, because nothing in the present implementation provides for institutional permanence.

Neither the structure of an organization or its control system is by itself a problem. It is problematic if its characteristics hinder its executives from meeting the organization's objectives. In both private and public organizations, the basic structure changes when objectives change or when problems in achieving them appear to have structural causes.

History. Reform groups and County Supervisors have been complaining about the number of departments in the Los Angeles County structure since 1935; our commission and other contemporary advisory groups have been suggesting alternative solutions since the mid-1960's.

For example, in 1941 Supervisor Jessup made the following statement:

- "Because the need for economy is so urgent we must avail ourselves of every opportunity to consolidate functions and cut out overlapping services. The Board of Supervisors has shown what the possibilities are in this respect, for we have abolished two departments at a great saving in tax funds."¹

In 1973, Supervisor Hahn stated:

- "I feel until the County Charter is changed to revamp County government, administratively the Board of Supervisors should reorganize the various 54 departments into nine agencies."²

In 1983, the following statement was attributed to Supervisor Antonovich:

- "My goal is to have the 52 County departments consolidated under 10 or 15 'super' departments."³

What the statements have in common, other than the stress on the number of departments, is that they were made during periods of major change, when the County was experiencing severe operating problems, problems of cost, or major changes in its environment.

Not only Supervisors assert that the number of departments should be reduced. We reviewed the results of several surveys of County managers on County problems. They also conclude that many of the County's difficulties stem from its structure.

Conclusion. From our review of history and the present County situation, we conclude that some of the County's problems are characteristic of the basic organization rather than of the composition of the Board, the size and nature of the population, the tax laws and relationship to the State, or the attitudes of incumbent bureaucrats. In the 48 years since the earliest documented recognition of these problems, the ideological composition of the Board has flipped several

¹Roger W. Jessup, "Los Angeles Looks Back and Ahead", The Tax Digest, January, 1941.

²Kenneth Hahn, Letter to Maurice Rene Chez, February 8, 1973.

³Copley News Service, "Antonovich Wants to Merge Departments", Press Herald, January 19, 1983.

times, the population has more than doubled and changed significantly in composition, and whole generations of bureaucrats have come and gone.

The task force reviewed several recent cases of decision-making, estimates of the costs attributable to structure (rather than to program operations), and estimates of the costs attributable to the absence of standardization. The analysis of the potential for standardization was obtained by the team of MBA students assigned to our staff by the Graduate School of Management at UCLA. They had substantial assistance from several County department heads. Details of approach and findings can be found in Appendix VII of this volume and in Volume III.

We believe the County should explore alternative ways to improve its system in order to enhance the Board's ability to meet the current policy objectives of managing cutbacks and improving cost-effectiveness. Reducing the complexity of the departmental structure, clarifying the relationships among the Board, the CAO and the appointed departments, and standardizing administrative systems will produce that benefit.

Objective 1

- *Reduce and simplify the executive structure into a balanced system of ten to twenty independent Board-appointed departments.*

The diffusion of Board control over 47 autonomous departments leads to suboptimization of County-wide systems, unnecessary duplication of management system and personnel costs, and a paradoxical system of priorities.

Suboptimization. What we mean by suboptimization is that the County uses the single department, or budget unit, as its control for all management systems, decisions and innovations. Each single department in a County system may run at peak efficiency, with the highest quality management, but the whole system operated by the collection of departments could be still more efficient and effective.

For example, during the review and decisions of comparing the alternative of altering the Mental Health Court to relocating it, each of the six departments that would be affected by the Board's choice evaluated the budgetary impact for that department alone, since each department is accountable for delivering its own services within its own budget. Consequently, a dispute arose over the location of the facility because its location has adverse impacts on one of the departments, while various relocation alternatives could have adverse effects on other departments.

In this example, it is important to understand that the system which could be better optimized with fewer departments is not the mental health care delivery system, which consists of the six departments serving the community. Rather, the cost to the mental health system of the facility location and maintenance system, the information system, and the communication system could be reduced by additional attention to alternative means of combining efforts to meet the needs of the six departments.

In the framework of the six public services departments, the cost of \$450,000 to alter the facility is minor compared to their costs of staffing, transportation, and time that are affected by the facility location decision, the methods of maintaining the facility and securing it for patient safety, and the potential for using communication systems to substitute for transportation to the facility. The total of those costs in the six department system are significant, but the fragmentation of the County's internal services system, particularly of the information and analytical resources contributing to the Board's decision, prevents estimating those costs and evaluating each alternative according to economic criteria. The information the Board reviews in making its decision is limited to the view that the cost is a Mechanical Department charge to the Superior Court. The actual cost is the total time and expense required for the Sheriff, District Attorney, Public Defender, Director of Mental Health, Superior Court, and Public Guardian to provide their services in that location under the conditions maintained there.

We do not know what that actual cost amounts to, nor can we say whether optimization, in this case, would have been worth the investment in relocation or some other alternative. We saw no evidence that the County knows, or that the Board had complete information on which to base its decision. If it had such information, the Board could have weighed such political concerns as the relative influence of the various departments and their constituents against the managerial concerns of costs and effectiveness. In that case, the Board's deliberation would lead to real choice, regardless of whether the political components dominate. As it was, the necessary information about the total cost of the facility location decision and its alternatives was not available to the Board.

The task force concludes that the fragmentation of County systems into multiple departments, combined with the single-department control, leads to suboptimization costs. Although costs are controlled in each department, the probability is that the total could be improved.

Cost of Management and Administration. The task force reviewed the costs of management and administration attributable to the County's executive structure. First, we determined the costs of department heads for the entire system of 47 departments. Second, we reviewed the costs of management and administration in some detail for the internal services departments.

Department Heads. Department head salaries in the County range from \$40,000 to \$88,000. The average is \$62,700. The County's fringe benefit program costs approximately 30% of salary. During 1982-83, the Board implemented a performance-based incentive compensation plan, which yielded bonuses of \$3500 for thirteen of the department heads. Based on these figures, we estimate the total annual cost of the County to compensate 47 appointed department heads is \$3.8 million, including \$2.6 million for public services departments and \$1.2 million for the staff and internal services departments. The table below summarizes the distribution of department head costs according to the size of the departments and the budgets they manage. The twenty-four heads of departments with fewer than 1000 employees account for 67% of the cost of executive compensation, and manage about 7% of the public services budget.

Executive Compensation
Public Services Departments
1982-83

<u>Size</u>	<u>Number</u>	<u>Compensation (Thousand)</u>	<u>Budgets (\$Million)</u>	<u>Positions (Thousand)</u>
More than 10,000	2	198	2623	32
1,000 - 9,999	7	654	805	11
Fewer than 1,000	<u>24</u>	<u>1669</u>	<u>241</u>	<u>.5</u>
Total Public Services	33	2437	3643	49
Total Board	47	3507	4018	56

In addition to the department head, many departments of the County also employ a chief deputy or administrator to manage day-to-day operations in the absence of the department head, and all but the smallest use a divisional structure with additional management level personnel.

Cost of Administrative Functions. With a few exceptions who purchase administrative services from other departments, all County departments employ payroll, personnel, accounting and finance specialists. Each department assigns managers and technicians to contracting and productivity improvement plans and

programs. Depending on the department's needs, each department may also have units dedicated to inventory and materials management, work measurement, transportation, data processing, mail and messenger service, safety, and procurement. Each department head decides what proportion of the department's resources to allocate to those functions, and how much to rely on centralized County resources.

For example, the auditing programs that are prevalent in public service organizations require each department to maintain internal staff for responding to inquiries, working with the auditors, and implementing systems recommended by the auditors. Audits are conducted on a department by department basis. According to the 1982-83 Grand Jury, internal County organizations conducted 674 audits of department operations during fiscal years 1980-81, 1981-82 and 1982-83 (through April). Of the 674, the two largest Board-appointed departments - Health and Social Services - accounted for 274, or 41%. Twenty four departments, each with fewer than 1000 employees, accounted for 189 of the 674 studies conducted, or 28%. Although the large departments dominate the consumption of resources for audits, the multiplicity of smaller departments accounts for a substantial part of it.

Our task force reviewed the costs of management and administration in each of the seven internal services departments. We obtained the position budget and appropriation for each of the seven, and allocated positions by title to functions of management, accounting and finance, staff support, payroll and personnel, inventory management and procurement, information management, and secretarial support. If the department's major role included centralizing those functions, then we excluded the applicable positions from our computations. For example, we excluded procurement and warehousing positions from the computations of administrative costs for Purchasing, accounting from Collections, systems and computer work from Data Processing. In identifying management, we included positions that were at the Division level or higher, most of them at salary levels exceeding \$40,000. We excluded technical management positions in Data Processing and Mechanical.

The results for the seven departments are summarized in the table below. The total labor budget in these departments amounts to \$186 million. The costs of management and administration, \$30 million, amount to 16% of the total. The County's current payroll is \$1.7 billion. If the same proportion (16%) applies to the other County departments, then the County is spending \$300 million annually on management and administration.

Cost of Administration
Internal Services Departments
 1982-1983

<u>Function</u>	<u>Budget (\$Millions)</u>	<u>Workforce (Positions)</u>
Management	\$8,266	200
Accounting	1,752	110
Staff Support	1,185	40
Payroll/Personnel	1,459	60
Inventory	982	50
Information	1,250	40
Secretarial	<u>8,032</u>	<u>470</u>
Total	22,926	970
Total incl Benefits	29,781	970

These management and administrative costs are attributable to the County's structure. They are necessary because of the multiplicity of County departments and the decentralization of each, as an independent unit, over the County's geography. Reducing the number of County departments would reduce these costs substantially. Reducing the number of public services departments from 33 to 20 would eliminate \$1 million in department head salaries alone. A goal of a 15% reduction in management and administrative costs, which is reasonable if accompanied by reduction in the number of departments, could save \$4 million in the internal services departments, and \$20 million in the County-wide system. The task force concludes that the diffusion of Board control over a system of 47 independent departments causes unnecessary duplication of management and administrative costs.

Priorities. Finally, the multiplicity of departments creates a situation in which it is difficult for the Board to evaluate and decide its policy alternatives on the priority of County programs.

The situation is paradoxical. The current structure aggravates the potential conflict between managerial priorities and their political consequences. According to the size of departments, the Board and CAO can concentrate managerial attention on at most three systems - health, welfare, and public safety. Since the public safety departments are dominated by those led by elected officials, the Board's control of them is limited to budgetary action and negotiation. Therefore, managerial attention is actually focused primarily on the two departments, Health

Services and Public Social Services, which together account for over 60% of the Board-controlled resources.

On the other hand, the remaining County departments provide services or perform regulatory functions which have significant impact on local conditions. They command a high degree of political attention. They are frequently more visible to a broader cross-section of the population, and to opinion makers, than the health and welfare services. The Board cannot ignore such issues of public policy as the welfare of consumers or Senior Citizens, youth interest in agriculture and animal husbandry, and the condition of veterans of the armed forces. Services designed for those groups are provided by small departments. In addition, regulatory activity designed to protect the economy of the region and, in some cases, the State is performed by some of the smaller departments in the County structure. These departments, and the constituencies they serve, fear that merging with a larger unit would result in lower priority for their programs. Since the political dimension of priority decisions is dominant, these small departments insist that autonomy is essential to their survival.

Duplication and redundancy are useful in political systems. In the County, the trade off may frequently be significant between the public interest in efficient performance and the public interest in the distribution of power. The smaller departments fear that an abuse of over-concentrated power could diminish their ability to provide essential programs. On the other hand, if power is distributed perfectly evenly the system is not likely to accomplish anything efficiently, particularly managerial change. The paradox is that the multiplicity of small independent units command little executive attention with regard to management systems, but substantial attention with regard to their impact on policy.

In any system, it may not be the number of parts that creates problems, but rather the relationships among the parts, the distribution of functions among them, and the ability of each to perform its assigned functions in relation to the others. Thus, the issue in the County is not merely the number of separate units. The competition between political and managerial decision making is heightened by the relationships among programs in the structure.

Misalignment. The issue does not depend on whether or not the decisions are political. Rather, it depends on the kinds of information that the structure permits the Board to review when reaching its decision. The reason is that the various departments, which are essentially nothing more than independent budget units, are not programmatically aligned. Separate departments produce services or perform

functions which share the same objectives or work with the same constituency as others. For example, both the Department of Weights and Measures and the Department of Consumer Affairs provide services intended for the protection of consumers from unscrupulous business practices. The Department of Weights and Measures has the regulatory authority, by statute, to enforce its rulings. The Department of Consumer Affairs works through information and referral, including referral of consumers to mediation services and court. In making public policy decisions about the welfare of consumers, the Board receives fragmentary information from both as if they are independent. In the Board's committee system, they are assigned to different Supervisors.

In other cases, the misalignment is the production by a single department of services which, although related, are not compatible with one another or do not support the department's primary mission. For example, the Department of Health Services manages the Refuse Collection Districts in the County. Refuse collection is related to health, but the services use little of the Department's resources in comparison to other public health programs and to the hospitals.

Similarly, Supervisor Edelman recently suggested removing child welfare functions from DPSS and locating them in another department designed to provide protective services for children. As he pointed out, those services are not incorporated in the primary measures of effectiveness in DPSS - the minimization of error rates for which the County is penalized by the State in welfare eligibility determination. Consequently, resources allocated to the services functions have declined more rapidly than those allocated to the income maintenance functions. The values of the people providing the two services differ, and they may compete.

It is this situation that leads us to call for reduction and simplification of the County structure into a balanced system. Merely merging departments on the basis of size, without regard for the programs and services they provide, would not improve their alignment, and could result in lower priority for some programs as feared by constituents. However, if the alignment is improved so that departments internalize only consistent and mutually supportive programs and activities, no single function of a department would have the advantage over the others in competition for resources. The Board would be able to make priority decisions on a systematic basis, with little fear that necessary programs would be abolished or submerged. The programs and services now produced in the smaller departments should also benefit from the increased attention to management available in the larger units, and the whole system would be substantially more efficient.

Conclusion. The task force therefore recommends that the Board adopt as a policy objective the reduction of the number of County departments into a balanced system of fewer autonomous units. Restructuring will permit the Board to make its decisions based on optimization of County-wide cost-effectiveness, it will result in lower costs of management and administration, and it will improve the Board's ability to make system-wide policy decisions on priorities.

Objective 2

- Clarify the formal relationships among the Board, the CAO, and department heads by modifying the ordinance on the CAO.

One idea behind creation of the CAO's office in 1938 was that boards of Supervisors could have both County-wide information and a multiplicity of programs and departments. The Board would establish the CAO to help it unravel the complexity and implement change, without giving up or delegating any of its power to determine the organizational structure and management system.

CAO Function and Board Expectations. The Board's formal definition of the CAO's role in the County system is a series of ordinances, adopted by various boards of supervisors between 1942 and 1978, and codified in the County's administrative code. That formal definition, together with the sections of the Government Code and other statutes to which they refer, is the fundamental basis of the CAO's functions and organization. Since it is formal and law, it is also the strongest instrument of accountability available to the Board in establishing its expectations for CAO performance, and it is the most reasonable available norm for the CAO to use as a reference in determining goals and objectives. The ordinance both defines and limits the CAO. It institutionalizes the traditions - the "culture" in contemporary organizational jargon - of the CAO's function. These traditions are a powerful source of stability in the County system. They are also contrary to the intuitive expectations which establish how the public and some County officials view the CAO's activities and performance.

For example, in 1968 and in 1982, the County published a "Guide to Departmental Organization and Functions." Similarly, public information officials distribute lists, directories, and a description of administrative units. These documents, though less formal than the ordinance, are the most widely disseminated and easily understood sources on which the Supervisors and the public at large can base their expectations of CAO performance. These public documents, including the

County's official organization chart, may be correct in some precise legal interpretation, but they are inaccurate and misleading as a basis for understanding the CAO's functions and forming expectations of how it should perform. They universally imply that the CAO is the overall manager of County government operations.

The CAO is not the overall manager of County government operations, and cannot function as such a manager under the current charter. The ordinary expectations for a manager, in business, government, or any hierarchical organization are that the manager has the authority to plan, organize, direct and evaluate subordinates whose primary incentives and disincentives are to respond to his or her leadership. The CAO has no such authority. No CAO, including the first, Wayne Allen, has interpreted the function as management. Most important, no CAO has accepted accountability for managing County operations.

Within the framework of the Charter and the ordinance,

- the CAO has limited authority to direct department heads appointed by the Board and no authority to direct anyone else except CAO staff;
- to the extent that the CAO has authority to direct, it does not extend to enforcing the direction: only the Board can act efficaciously to reward or discipline a department head;
- the CAO has no formal, institutional mandate to organize County operations, to develop legislative programs and positions, to establish and enforce standards, or to establish long term plans and implement programs for capital investment, productivity improvement, and County systems;
- the CAO has authority to compel departmental executives to supply information and to control departmental operating decisions: after budgets have been appropriated, the CAO must approve purchasing and hiring decisions.

The ordinance omits significant functions which the CAO now performs and should continue to perform. It omits functions which would improve the Board's information base for decision making in the current managerial environment. It includes functions which the CAO does not and should not perform. It specifies CAO functions which confuse appropriate relationships to County departments. It contains provisions which contradict or weaken one another, particularly in specifying the degree to which the CAO can direct department heads, thus permitting confusion of accountability for the development and implementation of

Board policy. In the paragraphs below, we discuss the major features of the ordinance that we have concluded should be changed. Our detailed analysis of the ordinance provisions is in Appendix III of this volume of our report, where we suggest clauses that could be changed or added after review by the Board, CAO, and County Counsel.

Missing Functions. The ordinance predicates the CAO's role in support of the Board as a financial control system rather than as a management system. The historical reason for this is that prior to the creation of the CAO, the Board had relied on the County's Auditor-Controller for County-wide controls. The Board appointed the Purchasing Agent as the first CAO because its primary difficulty was financial control of departmental activities.

Now, however, the situation has changed. The CAO has added more sophisticated forms of analysis and control, particularly in the areas of legislation, management systems, employee relations, and management incentives, while the technology is available for the Auditor-Controller and the Purchasing Agent to exercise the more detailed forms of daily line-item control.

The ordinance nowhere mentions legislation and management systems. In a section separate from the one dedicated to continuation of the CAO, it mentions a role in the incentives program, but it is not the role of systems design that the CAO is performing. It omits mention of the roles of the CAO in implementing the Board's contracting and productivity improvement programs. Thus, the ordinance omits some of the highest priority current activities of the CAO.

More important, the ordinance does not provide for what is needed: the authority for the CAO to act, under Board supervision, based on County-wide planning and organizing of County operations, systems development and implementation, or systems evaluation. We reviewed four case histories of management decision-making in the County (see Appendix VI.) In each case, the decision took longer than we would expect - up to four years in the case of the decision to automate three of 270 fuel dispensing sites, and was decided more politically than perhaps it might have been in a privately-managed bureaucracy. However, neither the time it took to decide nor the political determination is the issue. In each case, the Board had information limited to the operation of the particular system, of fuel dispensing, cost accounting, and conflict defense administration, rather than information and analysis of the potential impact of proposed changes on the County-wide programs that would be affected.

The functions that are missing are called, variously, strategic or long range

planning, organizational planning, project management, and systems integration. Whatever these staff functions are called, the emphasis of the work is to supply the Board with complete information on what management changes would be useful, the investment required to implement them, and the potential long-range economic and social impact of that investment. None of the central staff agencies in the County performs these functions. In addition, the authority to implement changes adopted by the Board following such analysis is also missing. That is, the CAO has no formal authority to compel implementation of County-wide standards or administrative systems in any areas, including inventory management policy, financial and accounting policy, fuel dispensing systems, facility location systems, property management, and the rest. The CAO can and does accomplish change using the budgetary planning and control processes. Those, however, are negative means to compel, and they are negotiable. They do not derive from Board action based on complete analytical information.

The nature of the CAO's control would change given formal ordinance authority to plan for and implement managerial systems changes. Without it, the work can be performed, just as now the CAO performs effectively in legislative and incentives programming. With formal ordinance roles, the Board's expectations for performance could be made clearer, and the relationship of the CAO to the departments less negative.

The effectiveness of the additional functions would depend on the Board's ability to simplify the structure of the departmental system. As long as each of the County's budget units is an autonomous organizational unit, the forms of analysis we are referring to would be weakened. As long as individual departments with unique agendas remain the central control, County-wide systems and policies for payroll, fuel dispensing and contracts administration cannot be developed, and standards to control them cannot be enforced. The investment required to develop systems to improve efficiency while recognizing the idiosyncrasies of each department's needs, in each case, would almost certainly far exceed the value of improving the system. For example, automating over 250 fuel dispensing sites, many with less than 5000 gallon capacity would be diseconomic from an investment return perspective. On the other hand, none of the fifteen departments operating those sites has any incentive to recognize the utility of sharing larger, consolidated sites to improve productivity. The productivity improvement would not accrue to their benefit in their individual budgets.

The task force concludes the Board's decision making system would be

improved if current functions of the CAO in recommending legislative, management systems, and incentives policies are made formal parts of the ordinance, if such functions as organizational and strategic planning, management systems and policy development, and systems evaluation were added, and if the necessary authority to implement Board-approved changes were made clear.

Included Functions. The ordinance on the CAO specifies functions that the CAO should not, and does not, perform. For example, the ordinance assigns the responsibility for forms control and records management to the CAO. With todays technology, the centralization of those functions is unnecessary. At most, the CAO should be promulgating and enforcing standards for departmental records management and information control in the various departments, and the CAO should have the authority necessary for that enforcement. Similarly, the ordinance contains provisions that appear to be left over from the time when the Purchasing Agent was CAO - for example, the authority to transfer goods and equipment among departments and accounts, and the authority to control decisions to alter or repair facilities. We have not concluded that these provisions damage County systems effectiveness, and we do not recommend that they be removed from the ordinance. They appear to us to be archaic in modern management environment, and we believe that the Board and CAO should examine closely whether or not they are still needed and remove them if they are not.

Confused Relationships. The ordinance appears to give the CAO authority which he does not in fact have, and it contains provisions which weaken one another. The provisions for administrative supervision and control of departments, coordination of administration, and supervision of expenditures appear to give the CAO substantial authority to direct department heads on matters of administration which are not clearly public policy. On the other hand, the disclaimer that "No provision [of this ordinance] shall be deemed or construed to grant any authority to, or impose any duty upon, the chief administrative officer which is vested or imposed by general law or the Charter ... in or on any other county officer...." (Section 2.08.140) appears to us so broad that little of the authority delegated by the Board in the other provisions can be effective. We believe that the ordinance can be modernized to effectively delegate to the CAO the authority necessary to develop, promulgate and enforce management systems and policy, for departments appointed by the Board, while minimizing the detailed financial and purchasing controls that it now emphasizes. The language, written in 1981, in the provisions assigning employee relations to the CAO, which refers principally to rules and

standards and their implementation, is an example of what we believe would work better for the rest of the management system. In any event, the ordinance should be modified to reflect exactly what the expectations of the Board are for CAO performance, and what authority the Board delegates to the CAO without qualification to meet those expectations.

Reliance on Financial Control. The ordinance provisions establish a system which relies on centralized budgetary controls. They permit articulation of precisely the kinds of goals the CAO has adopted - financial control through close budgeting and approval of department heads' hiring and purchasing decisions. They institutionalize the departmental focus of control, thus creating disincentives for consolidation of functions and simplification of systems. Because of the focus on codified state budgetary routines, they preclude multi-year planning and forecasting.

As a large, diversified provider of services, the County's production of services is highly decentralized. Operations managers know more than anyone else, including the CAO, about the details of specific County services in their departments. It is reasonable to suggest that plans, proposals for change, and decisions on management systems or standards should come from them, from the "bottom-up." If the County has the money to support what the department head wants to do, then it should be done.

In fact, that is the way the County works. Department heads claim, however, that the centralized control is an obstacle to departmental achievement. The CAO, in exercising day-to-day control of hiring and purchasing decisions, in effect decides the priority of resource allocation among departmental initiatives. It is not possible to guarantee that the interests of each department, considered in isolation, will coincide with the interests of the County as a whole. This is true not only because of resource limitations, but also because few, if any, of the departments provide services or perform functions which are independent of those of all other departments. Since the rewards for department managers are contingent on meeting budgets in that department alone, the interdependence of departmental activities also discourages risk. Departments will be extremely wary of initiating changes that could affect them adversely because of the system control or interdepartmental service relationships.

Thus, we find that the issues of the CAO's role in the County system are inseparable from the issues of the multiple department structure. Nothing but strong centralized controls can work, not only because of the absence of authority in the CAO's office to make alternatives to control work, but also because the

multiplicity of independent departments, with independent relationships to the Board of Supervisors, defeats even the attempt to develop such alternatives. The case of the analysis of County-wide fuel dispensing is an illustration of the effects of the length of time it takes to negotiate potential changes and standards of operation with the departments.

In the system we envision, the CAO would work with departments, but the basic process would be "top down." The CAO would determine, for inter-related groups of departments or services, the system of goals and activities best arranged to suit the interests of the County as a whole, and recommend that system to the Board for action, along with a discussion of the alternatives. The Board would then have complete information on which to base its public policy decision. For example, among the cases our task force examined, the case of the alternate public defender (conflict cases) illustrates how the system should work. The CAO presented two alternatives to the current system, and the Board made its decision politically, based on its current policy objectives to maximize the uses of contracting and minimize the level of County employment.

The Board is the only organization in the County with the legal authority to compel implementation of Countywide systems. The CAO, however, is the only organization with sufficient insight into all County operations to develop such systems and actively coordinate their implementation. The Board's decision making would be materially improved if the ordinance were changed to establish appropriate authority in the CAO's office, and expectations for its performance, permitting the development of standards and systems to take precedence over control.

Coordination / Implementation. It is the norm in governmental organizations to expect multiple operational and financial audits. Federal and state funding agencies require audits to ensure the county's compliance with regulations and to detect errors. The laws require audits for fiscal control and compliance. Some laws require audits or evaluation of operational effectiveness, management, performance or program effectiveness. Department heads also require audits of the operations and management within their departments.

The Board of Supervisors also requires audits or reviews of departmental operations. The Board assigns these to the Auditor-Controller and the CAO. The Board also has created and appoints about 100 advisory committees and commissions to assist in developing departmental policy and monitoring operations. While these advisory groups do not conduct formal audits, they contribute to the multiplicity of investigatory activities.

County department heads report that the multiplicity of audits is problematic. They must respond to all audits with equal priority, and the response consumes staff resources the departments could use elsewhere.

In our view, the potential value of various audits likely exceeds their costs. In any event, government agencies are not going to escape them. However, the principal deficiency of the county's auditing program is, in the words of the 1982-83 Grand Jury's contract auditor:¹

"There appears to be no coordination of such audits and studies, no central direction, and no sharing of the results among, and in some cases within, the 58 departments of the County."

The Grand Jury found little duplication of effort among the various agencies which conduct audits. Even when the subject is the same department as the subject of another auditing agency, they tend to analyze different operations or different attributes of the system.

However, the focus on single departments prevents the coordination or implementation, across a multi-department delivery system, of common recommendations. Audits of several different social service delivery units may, for example, conclude that they should improve their use of the civil service rules to control absenteeism. The system-wide implications of such a finding will not be revealed, since the county has no mechanism for priority attention to management in the smaller departments. The same is true for the range of applications several departments may have in common - inventory management, cash controls, permit or license regulation, counter-staff behavior. Auditors will examine each of those in each audit, whether the department is large or small, regardless of the mix of production and regulatory activities, and regardless of the constituency.

More important, there is little chance to disseminate among various departments in the same field the findings on management in that field. For example, if the County Engineer and auditors find certain management practices successful in such regulatory activities as issuing permits and licenses, the chance is slight that those practices will ever be applied to the inspection and licensing functions of the Departments of Health Services, Treasurer-Tax Collector, Weights and Measures, and Animal Care and Control. Similarly, if the Department of Parks

¹McManis Associates, Inc., "Los Angeles County Practices Concerning the Conduct and Outcomes of Management Audits and Reviews, Report to the 1982-83 Grand Jury, County of Los Angeles, 1983.

and Recreation and its auditors devise improved systems for property management and maintenance, the Museums and Beaches are not likely to benefit from it. Asset handling techniques that improve the Public Administrator's productivity will not show up in the Probation Department's management system. Instead, they will have a separate audit, which may or may not result in similar findings. As the Contract Auditor put it,

"...it is clear that no single process exists for the initiation, coordination, monitoring, and disposition or follow-up of management audits, etc. ...

"The follow-up on completed audits and reviews is reportedly handled in a number of different ways by the departments."

Even with an effective audit program, the multiplicity of autonomous departments would not permit systematic correction of management problems or the development and application of County-wide standards. Auditors have to be educated every time. Each department has a stake in retaining the unique character of its operations, and its management will spend some time and energy on directing auditors' efforts. The net effect is that the focus of a departmental audit will be solely on that department and its activities.

The CAO has the County-wide perspective and the analytical resources to provide integration of all departmental audits. We therefore believe that the auditing functions of the CAO could be more effectively utilized by the Board if assigned the role of County-wide coordination, rather than the role of conducting audits of individual departments and monitoring the productivity and contracting programs of individual departments. Instead, the CAO would maintain a County-wide data-base on all audits and studies, and monitor the system-wide implementation efforts for each.

Expectations and Workload. The Board's function as a governing body does not preclude it from initiating ideas for change and productivity improvement. It is reasonable for the Board to direct the CAO to investigate the potential for such County-wide systems improvements as automation of fuel dispensing, development of inventory management policy and control systems, implementation of cost-accounting, reorganization of service departments, transfer of functions among departments, or development of new job classification and compensation systems and procedures.

The CAO's function, as chief of staff to the Board, requires it to initiate, document, and recommend proposals for change that will produce economies or other

System improvement, regardless of the political implications or the difficulty of implementation. The CAO has the technical expertise and the knowledge base to identify such alternatives as contract alternate public defenders, revised patrol staffing, revised fire station location patterns, user financing for specific services, working conditions for employees, contracting of services, increased use of paralegal personnel, and consolidation of departments. The CAO has the institutional responsibility to identify and analyze such possibilities and to propose them to the Board, and the Board has the responsibility to act on them in its best effective judgment of public needs and priorities.

As staff, the CAO must also respond to Board initiatives. Each Tuesday, each Supervisor introduces several such initiatives in addition to those that appear on the Agenda. Such items take the form of a directive to the CAO, sometimes in conjunction with an operating department or advisory committee, to produce a study, information, or a procedure, frequently within a certain time frame. The orders cover a broad range of substantive topics. They range in complexity from the mundane and routine of statistics to complex and subtle issues of legislation and finance. Moreover, each Supervisor and district staff also may ask the CAO to report on a specific issue or problem of special interest to that district.

Therefore, it is part of the Board's expectation that the CAO will respond to its initiatives for the analysis and development of policy, and it is part of the CAO's role to respond to that direction, whether or not it is formally established in the ordinance.

However, the Board has no effective machinery to discipline the workload that it generates in the CAO's office through this expectation. Because of its linkages to the community, the Board's weekly activity encompasses a broad range of narrowly conceived and disorganized issues that are referred by constituents, business contacts, County department heads, employees, unions, advisory committees, lobbyists, the press and media, or the public at large. Each one has equal urgency. The Board has no systematic means to assign priorities to the various issues, to group or coordinate those which are logically related to one another, or to determine the underlying, systemic or structural problems that lie at the root of each of the individual items. The time limits may be unrealistic in the current County operating environment, and Board orders sometimes conflict with one another.

One result is that the CAO's staff must delay or defer work on County-wide systems or issues to reply to specific concerns generated by the community and referred by the Board. Staff assigned to a major project on one Tuesday may be completely redirected seven days later, particularly when the individuals have a specialized skill or knowledge area. For example, in February, 1982 the Board directed the CAO to put top priority on establishing County-wide inventory policies and the CAO assigned inventory management specialists to the task. When the Board, a few weeks later, decided to identify and sell off surplus stock, and to rearrange space leasing arrangements in one warehouse, the CAO was forced to reassign the same specialists to the new, more narrowly conceived project.

Our point here is not that Boards ought not to order improvements of inventory management, selling of surplus and rearrangement of leases. Rather, it is that the Board has no reasonable method of determining that all three tasks are part of a single major policy issue - namely, the issue of centralized inventory management standards. If no one so advises the Board, it may direct the CAO toward potentially conflicting, and certainly uncoordinated projects.

The CAO cannot reasonably reject Board and Supervisor requests or defer and delay them. Instead, the response by the CAO is to absorb as much as possible in the production functions of the office - namely, budget production and control where financial issues are relevant, legislative program production where legislation is needed or relevant to the question, and management or personnel policy evaluation where the Board's concern refers to contracting, productivity or audits. Although the individuals in the CAO's office have the skills to analyze the overall policy issues and recommend means of resolving them, the constant stream of orders will not permit sustained focus on a single issue by those with appropriate skills. At present, the CAO does not report the costs imposed on the County by the additional work or how it might better fit in with on-going projects.

The Board's system of directing its central staff to produce information, then, has the following deficiencies:

- assignments change each Tuesday, with no system of priorities and no method of recognizing relationships among issues;
- departmental, interdepartmental, and inter-district politics can too easily interfere, when the analytical question is integration of a County-wide system;
- the Board's response time expectations may be unrealistic, given the resources available to the CAO, the complexity of the

County's organization, and the CAO's methods of response.

There is no solution to this problem in the formal ordinance system, but there are several alternative ways to address the problem. They would be effective, but not easy, since in all cases they would require that the CAO inform the Board of the workload and costs generated by its actions. For example, the Board and CAO could agree on a system requiring that the initial response to any Board initiative, delivered within two weeks of the initiative, will include 1) a summary statement of what has been done on the subject before, 2) a statement of how the subject relates to others the CAO is working on, and how they will be integrated, and 3) a statement of how much it will cost to answer the specific initiative.

Conclusion. The task force concludes that the Board's decision system would be improved by a thorough review and revision of the ordinance establishing and continuing the Chief Administrative Officer. The ordinance should be updated and modernized to include all functions the CAO performs, to add functions emphasizing County-wide systems development and implementation, to clarify authority relationships with the departments, and to reduce the dependence on details of financial control. These changes should not be adopted independently of changes to the departmental structure, particularly in reduction of the number of autonomous departments and realignment of their functions. In addition, the Board and CAO should agree on methods of controlling the CAO's staff workload generated by the Board's requests for information and analysis.

Objective 3

- Standardize County processes governing business and support in such areas as personnel, payroll, inventory management, procurement, and distribution.

In service industries, economies of scale are produced less by the increased substitution of capital for labor and increased specialization of labor that works in manufacturing, and more by increased standardization of service delivery and administrative costs. In our discussion of the multiplicity of County departments as a source of excess costs, we described the need for each department to employ duplicative administrative and staff resources to supply input to and meet requirements of the centralized payroll, personnel, accounting and other administrative systems. The resources in each department are duplicative.

Combining them could produce savings, but not by merely merging the production. Our field study team analyzed some of the costs of the lack of County-wide standards for administrative policy, procedures, and costs in such areas as procurement and inventory management. They analyzed the potential for automating information processes for accounting and payroll-personnel. The details of their study are presented in Volume III of this report.

The County has a record of attempts to standardize such processes to support decentralized decision-making, and it has a history of attempts to consolidate the internal services departments into a general services agency to achieve scale economies. The two are strongly related. It is the internal services departments which can most effectively influence the development of procedural and cost standards. Without standardization, creating a general services department is not likely to result in substantial economies. Each department approaches administrative services differently, and each has a different rate of production for those services. Merging the departments without eliminating the variability of processes could not reduce costs substantially. In recent CAO reports analyzing the potential for consolidation of internal services, the analysts found no economies. Consolidation would result in fractional positions unless accompanied by changes in the classification system or relocation of the functions. Thus, past attempts to reduce the costs of administration and management have not been feasible.

On the other hand, in our view, the County will not accomplish standardization without consolidation of the management and administrative functions of general services. The independence and autonomy of County departments inhibits standardization. The data demonstrate extreme variability of costs among the seven general services departments.

Automated Process. The consequence of retaining a multiplicity of departments is that each department head establishes and insists on a unique administrative and management policy based on the perception of unique operating needs for that department. Because of their nature as providers of services internally, the internal services departments, including Data Processing, must respond to their customers - namely the other departments, each of which insists on unique development of unique applications. In the case of automation, the field study team stated:

- "...Many of the existing automated systems were for the most part, developed independently within individual departments. As such, there presently exist multiple non-integrated automated systems

performing similar functions for different departments. ...These automated systems operate according to their own peculiar programming, and thus require individualized maintenance."

In the case of payroll processing alone, the processing of information before entry into the check writing programs costs the County over \$12 million annually. Private companies with the same size payroll as the County expect to spend \$1.3 million for maintaining payroll processes. Therefore, the complexity of the County's system, absent standardized process, costs approximately \$11 million annually over the expected cost of standardized process. Since the County is highly unionized, complete standardization of compensation policy may not be feasible. We believe that at least half the cost - \$5 million - could be saved yearly by investment in serious efforts to standardize and automate payroll maintenance information processes.

There is nothing new in this finding. In 1972, Arthur Andersen and Company stated:

- "Since no County-wide system for payroll source document processing exists, the County departments have developed their own. The payroll preparation system itself is inefficient and difficult to maintain. ...Some departments have developed, or are now developing, their own [personnel] systems, resulting in a duplication of effort. In addition, none of these systems is properly integrated with the payroll system. ...There is no County-wide system for financial and accounting controls that can be used by all departments. The summary financial results presented to top management require considerable effort and are not issued on a timely basis."
- "The County must identify those systems that are interdepartmental or County-wide in their application. These systems should be designed only once for all departments. The County cannot afford to let a department develop these systems independent of other effected sic departments, thus causing a duplication of effort."¹

The task force emphasizes that there is nothing in these findings that reflects negatively on the performance of the County's data processing professionals and management. The Department of Data Processing has been doing its job, responding at a high level of proficiency to the needs of County departments. In fact, the Department has developed most of the systems to which the long range

¹Arthur Andersen & Co., "Long Range Plan", Management Survey of County Data Processing Operations, Volume 6, Los Angeles, 1972.

plan referred. The basic problem is that in the current County structure, with no central systems authority in the CAO's office, each of the public services departments continues to develop its own unique systems, without regard for the availability of County-wide systems. That is, reorganization will not automatically lead to standardization. Reorganization is necessary, in the County environment, to promulgate and enforce standardization policy. The most effective reorganization for accomplishing this is that of consolidating internal services departments. In addition, simplification of the remainder of the structure, in the public services areas, will enhance the Board's ability to standardize.

Inventory Management Policy Non-standard inventory management policy leads to overstocking and to overstaffing, and the related difficulty of supplying multiple departments from a central procurement operation without standards leads to labor-intensive and inefficient purchasing.

Countywide, the Board of Supervisors is responsible for supplying and maintaining an inventory spanning over 10,000 different commodities. Its departments consume over \$100 million annually. The value of inventories in stock averages about \$40 million. The Board manages over 2000 warehouses and storage rooms occupying over 3.3 million square feet of County-owned, debt financed, or leased space.

Our field study team analyzed the performance of the inventory management function based on a general cost model it developed. To the extent that it is meaningful to do so, they incorporated the opportunity costs of procurement, lead time, delivery, shortage, ordering, and holding in the model. They obtained a valid sample of detailed data for 125 stock items and computed a cost performance index for the sample.

Their analysis of policy and centralization alternatives produced the following results:

- on the order of 40% of all items are overstocked,
- peak and valley demand could be smoothed to reduce inventory levels by 12%,
- reducing inventory by standardizing inventory management policy would release resources equivalent to 48 positions and over 140,000 square feet of space,
- standardization of policy could also increase scale economies of procurement and improve control.

These results are consistent with our commission's findings in February, 1982, when we first recommended top priority attention to standardizing inventory management policy. They are consistent with the findings of recent Grand Juries' analyses of the Purchasing and Stores and Mechanical Departments. They are consistent with the findings of the CAO and Auditor-Controller in 1977 and 1978.

The team's results are based on an extrapolation of findings from the sample of common stores items to the County-wide inventory. The task force therefore emphasizes cautious interpretation of what savings may be possible. Based only on the findings in the sample itself, without extrapolation, development of standardized policy, accompanied by investment in integrated inventory management systems, could save 16 positions and 47,000 square feet of space. Assuming an average annual cost of \$24,300 per County position and average annual space costs of \$15 per square foot, this most conservative interpretation would result in annual savings of \$1.1 million. County professionals inform us that they would not be surprised to find that the extrapolation to County-wide stocks is valid. If it is, then the savings from standardization should amount to \$1.2 million in labor and \$2.1 million annual rents. Total available annual savings amount to \$3.3 million if the sample is representative of the County.

Procurement. Most departments have a procurement unit to search for and purchase items that they cannot get, at the time needed, from County-maintained stocks. Most large organizations will have such units, since maintaining the variety of items continuously is not efficient. However, in the County, the departments frequently use those units to buy without agreements with vendors on standardized prices, and, for small items, without bids. This method of procurement is labor-intensive. Departmental procurement specialists spend over 50% of their time performing searches for such items, sometimes without information that they are available from vendors with whom the County has agreements, or from central County stores. The labor costs associated with procurement in the seven departments amounts to \$1 million. Thus, the labor costs alone of using the non-standard, off-agreement methods of buying are at least \$500,000 annually. The field study team found:

- "Using the number of department employees per one procurement position as a proxy measure of workload, [we found] a range of from one procurement position per 82 employees to one per 580 employees in the seven internal services departments. ...We found that ... the number of documents processed within the general services departments through [non-agreement orders] exceeded the

total documents submitted to the Purchasing Agent for all centralized buying methods ... by a factor of 1.84. This abundance of [non-agreement] purchases amounted to only 6.9% of the value of the total purchased by the seven departments."

Spending significant amounts of time to purchase a large number of low value items is an inefficient allocation of labor. The costs could be reduced by increased standardization of items and increased standardization of purchasing methods.

Conclusion. The task force again emphasizes that these findings in no way reflect on the performance of the County's Purchasing Agent, Data Processing Department, the CAO, or associated staff functions. Nor do they reflect on the performance of the various departments. They are a cost of the County structure. County Supervisors are not going to set technical, detailed inventory management and procurement policy, and the CAO has no authority to set such policy or to enforce it once set. Therefore, the multiplicity of departments makes it virtually impossible to effect standardization from any centralized source. Reorganization will not necessarily result in improvement, but it is necessary to achieve improvement. Standardization of administrative systems should be a central feature of reorganization. Since it is the internal services departments which have the means to establish the necessary standards, reorganization should commence with them. The standards they develop should then be promulgated over all County departments, and enforced by the CAO.

Summary

The task force recommends that the Board adopt three policy objectives:

- Reduce and simplify the County's executive structure into a balanced system of ten to twenty independent Board-appointed departments.
- Clarify the formal relationships among the Board, the CAO, and department heads by modifying the ordinance on the CAO.
- Standardize County processes governing business and support in such areas as personnel, payroll, inventory management, procurement, and distribution.

The objectives are not independent of one another. Standardization is not feasible without reorganization. Strengthening the CAO's roles is not feasible without reorganization, particularly since the financial controls as now exercised are almost certainly the only reasonable way to keep the County solvent. Reorganization may be feasible without the other two objectives, but it would not

accomplish the goals of reducing costs and supporting the Board's current policy objectives.

These objectives do not include disturbing the functions and programs of County operations or the priorities that the Board has assigned to each. Past efforts at reorganization in Los Angeles County have been viewed as punitive. They have been occasioned by findings of deficient performance in the departments affected. Our task force has demonstrated no such findings. The costs we believe are avoidable are costs of the overall structure of the executive in County government. They are not costs attributable to the performance of any single element in that structure. Moreover, they do not include program costs. We have focused our attention on the costs of management and administration. Therefore, achieving the objectives we recommend as policy will not interfere with program operations or priorities. Achieving them will improve the efficiency of the County's performance in delivering its services at the priority levels decided by the Board.

In subsequent Chapters, the task force describes the alternatives available for meeting these objectives, presents the alternative it prefers, and presents an outline of an implementation plan.

CHAPTER IV

ALTERNATIVE GOALS AND STRATEGIES

Reorganization is never a simple undertaking, and it is risky. In an organization with the size and complexity of Los Angeles County, achieving the three objectives we recommend will require the vigorous and determined attention of the Board, the CAO, and County executives over a sustained period of several years. Moreover, it will require some early decisions on subjects that are likely to be highly controversial. The subjects are 1) the overall concept of organization the Board chooses to implement, the nature of the organization that is to be developed, and the methods of preserving program priorities and relationships in it, 2) the roles of the Board, CAO, and department heads in managing it, and 3) the methods to be used for promulgating and enforcing standards throughout the system.

In this Chapter, the task force describes alternative concepts of organization that could be useful to structure County programs and ensure their continued priority. We describe the changes we would envision in the CAO's role to accompany structural change, the technical and legal issues of feasibility associated with each concept, and incentives for change.

Long-Range Issues

Concepts of Structure. Structuring bureaucratic organizations is a complex subject. A considerable literature has been built up by academicians, consultants, and other authorities. An organization is structured to achieve its purposes. Thus, there are as many versions of basic structure as there are organizations, and there is no single answer. In County governments in California, we found five different models of consolidated structures. In the review of the history of reorganization efforts in Los Angeles County, we found another five different sets of proposals. One of the difficulties is that the County has never chosen an organizational model or a process of decision-making to integrate the various executive activities in the departments or to establish methods of measuring the progress and performance of the various programs.

A variety of theories is available for application in the County system. Some authorities advocate strong centralized hierarchies with consolidated functional units; others advocate decentralized systems featuring a high degree of internal competition. Some advocate functional principles of organization; others advocate project management; others advocate a matrix form which accommodates both

functional and project management. Still other authorities advocate a flexible form of program control enabling the executive to evaluate performance of program centers, cost centers, and investment centers. The basic strategic issue is what the group of people is organizing for. Contemporary specialists in public administration and policy have classified formal governmental organization in terms of overall purpose, that is, for control, for product, for responsiveness and for analysis.

In the County, each of these theories - which are widely used in industry - would result in a different overall structure. Each would result in different combinations and alignments of programs, and each would result in a different definition of the central roles of the CAO in decision-making and control and of the measures the Board and CAO would use for planning and evaluation. Each is associated with different issues of legal and technical feasibility in the County's political environment, and each would require a different level of investment in new systems for administration. Therefore, the choice of an overall theory, or general model for application in the County is crucial for success in achieving the objectives we recommend for Los Angeles.

The alternatives for restructuring County systems are:

- The strong central executive elected by the public or appointed by the Board,
- The Agency concept of grouping departments of the current organization under a single head, sometimes with power to appoint department heads and sometimes without,
- A Consolidated structure based on merging activities with functional similarities or common constituencies under a single management, either by merging current departments or by reassigning functions among departments to others,
- A program structure based on merging departmental activities under a single management when they have similar missions, goals and objectives but may use dissimilar technologies or functional methods of delivery,
- A Committee structure which assigns responsibility for coordinating the activities of departments to a committee of current department heads,
- A systems management decision system, which assigns to a single management the responsibility for policy determination and programs integrating the output of several departments without changing the hierarchical structure of the departmental organization.

The County now uses a kind of functional structure. To understand our analysis, it is necessary to see that unification of activities with functional similarities is only one of the models of organization - one that has been found useful in traditional manufacturing, where production is routine and change is not anticipated or valued. In the others, functions and technologies may be mixed under the same management, but control is based on objectives.

Examples. In our evaluation of the application of these various concepts to Los Angeles County, we will use examples of the different impact each would have on several departments or on the internal services system described earlier in this report. Our examples include four small public services departments. They are Consumer Affairs, Military and Veterans Affairs, Public Administrator-Public Guardian, and Weights and Measures.

Consumer Affairs provides information, referral and counseling to people who have a dispute with some party with whom they have been doing business. The services include counseling on rights and referral to legal machinery for redress in the case of commercial wrongdoing that cannot be otherwise remedied. The department has a substantial volunteer support group performing much of the work. It uses telephone and communications technology extensively.

Military and Veterans affairs provides information, referral, and opportunities for fellowship and other fraternal activity for veterans of the armed forces, and manages the federal program for veterans' burial. It uses volunteers, meetings, and financial technology.

The Public Administrator-Guardian acts as trustee and executor for the estates of people whose assets would otherwise escheat, for people who die intestate or whose wills are disputed, and for living adults who are wards of the State. In addition to estate management, the department provides protective services for wards. Thus, its functional technologies are legal, financial, inspection, and regulation.

The department of Weights and Measures inspects food distributors and fuel distributors for fairness and accuracy of the methods and equipment they use for measure. Its techniques emphasize inspection and engineering, and it has regulatory authority. The Public Administrator and the Department of Weights and Measures are established by the Charter and statutes.

Implementation Decisions. In order to implement any of the alternative concepts of overall County organization, the Board would make four basic decisions.

The first decision would be to choose a design goal: how to group County

departments and programs, and on what basis to decide that the functions of departments are similar. Similarity of missions and goals is not the same as similarity of function. For example, based on functional criteria the managements of the Departments of Consumer Affairs and Weights and Measures would be separated. Their operations are dissimilar. In contrast, based on programmatic principles they could be merged to great advantage, since their consumer protection missions are identical.

The second decision would be to establish the powers and duties of the people heading the new organizational entities. In the County hierarchy in Los Angeles, only the Board has the power to appoint officials, and the duties of officials are specified in State law or in the County Charter. Therefore, when creating a new entity, the Board must decide whether the entity will be headed by an official designated in the laws, or by an individual with coordinative rather than appointive powers.

The third decision in implementing any of the concepts of organization will be to specify the means of preserving County programs in the reorganization. For example, during recent efforts to merge programs of the Department of Consumer Affairs with the District Attorney, opponents pointed out that the District Attorney has no incentive to refer cases to city prosecutors. Since the cases referred for prosecution by Consumer Affairs are frequently misdemeanors, appropriate for city prosecutors, the results of merger might include lower priority and less effort on helping the consumer obtain redress in court. In such cases, the Board will expect some method of highlighting the programs so they can be assigned appropriate priority levels.

The fourth decision in implementing any concept of organization is to choose a method of dealing with affected incumbent department heads. Department heads appointed before 1976 were guaranteed rights to civil service processes in case of involuntary demotion or termination. If adopting a concept of organization affects them, and they use civil service status to protest, the reorganization can be delayed or prevented until the various levels of appeal are exhausted. Therefore, in choosing a concept of reorganization, the Board will require plans and programs which ensure that implementation will not be frustrated by civil service tactics.

Alternative Structural Concepts

Central Executive. The most significant reduction of the number of County departments would be to zero - no departments accountable directly to the Board, and no department heads appointed by the Board. Another significant reduction would be to one - one executive accountable directly to the Board and appointed by the Board.

The Charter requires the Board to appoint all County department heads. Therefore, eliminating the Board's appointment authority by transferring it to another official would require a Charter amendment. A Charter amendment to accomplish this by creating an elected County executive has been proposed by our commission and by others. It has been defeated by the electorate.

Delegating the Board's appointing authority to a single official, appointed by the Board as a County manager with full executive authority, has been proposed by reform groups during the 1930's, Charter amendment committees during the 1950's and 60's, and our commission in 1970. The electorate defeated the proposed amendment in 1970 despite substantial support by business, community organizations, the press, and the media.

Our task force does not favor either of the alternatives for a central executive at the present. They are not timely. They could resolve some of the issues we have defined, but not all.

Agency Structure. In an agency structure, County departments are grouped according to commonality of functions. Each group is designated an Agency. The Board appoints an Agency Head. The organization of the underlying departments remains intact within the Agency. The State of California, Fresno County, Orange County, and San Diego County use forms of the Agency structure. Appendix IV contains charts of the structures used in Orange and San Diego Counties.

The grouping of County departments into agencies has as many feasible alternatives as there are County Supervisors in the 58 California counties. The designs in Fresno, Orange, and San Diego Counties differ from one another. In San Diego, for example, Probation is in the Human Resources group with Welfare, Veterans and Senior Citizens. In Orange County, Probation is in the Community Safety group with Fire, Marshal and Sheriff.

Since the organization of the departments themselves remains intact in an agency structure, the problem of choosing a grouping reduces to choosing the unifying basis on which the Board will decide that departmental functions are "similar." For example, on the basis of functional similarity (that is, technological compatibility), the Public Administrator - Public Guardian would be grouped with the Treasurer. The Treasurer is the expert in financial trust management in the County. On the other hand, on the basis of the closest programmatic similarity, the Public Administrator - Public Guardian would be grouped with the Department of Community Services. In some counties, the Public Administrator is grouped with the Coroner.

In establishing direction for an agency structure, one of the more difficult issues is to decide the powers of the agency heads. In the early stages, the incumbent department heads retain their powers and functions in their individual departments. It is reasonable to expect that they will retain their working relationships with the Board, the CAO, and department heads not assigned to the same agency. What, then does an "agency head" do? Who appoints agency heads? Where are agency heads located in the hierarchy? What authority do they have?

We define two kinds of Agency head, which we term strong and weak. The strong agency head acts in the role of performing the functions of a chief executive for the group of departments - appointing department heads, planning and directing operations, evaluating systems and performance. The strong agency head would, for example, be accountable to the Board for the budgets of the entire group of departments. The CAO would assemble budgets for all agencies for recommended Board action, but not for individual departments. Agencies in Fresno and San Diego Counties have the strong form.

In contrast, a weak agency head acts in a role for the agency that is analogous to the CAO's role for the entire County - performing analytical staff work, negotiating budgets and recommending them to the CAO and Board, coordinating departmental activity. The Board retains appointing authority over departments, and the CAO retains the budgetary policy and control. Agencies in the State of California have the weak form.

Either type, strong or weak, can be located in the CAO's office. However, if that is to work, the model chosen must be consistent with the powers of the CAO. If the CAO has appointing authority, as in Fresno and San Diego, then it makes sense to locate the agency heads in the CAO's department and have the CAO appoint them.

To implement an agency structure, the Board would also set the strategic framework in which additional organizational reform will take place. That is, the Board must decide and direct the agency head on what changes are to be made to reduce administrative costs, direct or restructure departmental programs, replace labor with capital investment, use contracting and standardize systems. During the period of change, the services must continue in operation.

The agency concept reduces the number of departments. In the strong form, it improves the focus of accountability. If supported by improved information systems in the CAO's office, it can improve the Board's ability to foresee problems and act before they become crises. It reduces confusion and it permits a rational hierarchy of priorities. It reduces the proliferation of audits and centralizes their administration.

The agency concept has two principal disadvantages. First, the creation of agencies does not necessarily reduce costs. It adds a new layer of bureaucracy. The additional costs must be recovered by reductions in the administration of the departments comprising the agency, by replacement of functions with contract suppliers, or by investment in productivity improvements.

The second disadvantage of the agency concept, considered as a fixed structure in which agencies are composed of the departments themselves, is that it does not solve the fundamental problem of organizational alignment. The departments themselves are designed poorly. They consist of functions which are not necessarily compatible and may be incompatible. Therefore, for an agency concept to work, reorganization of the entire system by divestiture and transfer of functions must be on the agenda of the Board and of each agency head.

The task force concludes that the Agency concept is not adequate as a structural goal for meeting the objectives we recommend. It is a helpful reorganization as the first stage in an organizational plan. Some counties have dismantled their agency structures. The State came close to dismantling its agencies last year. Los Angeles County has never stayed with any of the agencies it created or with the concept itself. The reason is, the agency structure cannot be viewed as a solution to the major problem of inappropriate assignment of functions to departments. It is best viewed as one stage in a process of organizational planning and reorganization.

Consolidated Department. Although they are superficially similar, the concept of a consolidated structure differs from the idea of agencies. In a consolidated structure, County departments are grouped according to one of the

logical principles of organization. Each group is then designated as a single department. The Board appoints a department head who has the same powers and duties as the former two or more department heads. The departments from which the new entity is formed may or may not retain their separate identities within the new department. The heads of those former departments, however, are no longer department heads. They are fully responsible to the head of the new department, who appoints them and directs their operations. We refer to consolidation as merging two or more departments without changing the underlying structure of their programs. We refer to reorganization as merging two or more departments, but also permitting some of the functions of one or more of them to be removed from the new department's management control and assigned to a different group. For example, in a consolidated structure, Military and Veterans Affairs would be assigned to some group along with other human services departments. In a reorganized structure, the fraternal functions could be assigned to one group and the financial functions of burial to another.

Many counties in California, including Los Angeles, practice both forms of consolidation. For example, the Departments of the County Engineer-Facilities, Beaches and Harbors, Health Services, Treasurer and Tax Collector, Registrar-Recorder and Public Administrator-Public Guardian are consolidated departments. The Community Services Department is an example of reorganized structure. It resulted from merging Urban Affairs and Community Services, and one of the functions of another, the Department of Personnel.

The issues of grouping and of continuity of services are the same as in implementing an agency structure. In establishing the design goal, the Board would have the flexibility to choose a variety of different principles of organization, based on the specific objectives of each individual merger. For example, the primary criteria for merging Beaches and Harbors were geographic and environmental; the primary criteria for merging Urban Affairs, Community Services and Manpower were intergovernmental.

In contrast to the Agency concept, the decision to consolidate raises no issue of the powers of the head of the new department. They are the same as the powers of a department head. The change has an impact on those managing the departments that are to be merged. They are no longer department heads. Although the change can be accomplished without loss of compensation, it is necessarily accompanied by loss of prestige. In addition, the new department head will be managing functions which are unfamiliar and a workforce which may resist

any changes he or she imposes. If former department heads do not leave, the Board and CAO must carefully choose who to place in the new position and how to assure orderly transition to a department which is fully merged. In the case of the Community Services Department, it took years of development effort to establish the department as a single operating entity.

The major strength of the consolidated structure as a goal is that the Board can use it both to reduce the number of departments and to simplify the system by realigning programs. Departments which now incorporate incompatible or dissimilar functions can be divided and their functions assigned to the new entities according to sound principles of organization. Moreover, unlike the agency concept, the consolidation of departments presents little risk that costs will rise during early implementation phases.

The disadvantage of choosing the consolidation model outright is that the resulting political and bureaucratic controversy and its consequences could lead to disruption of services and to eventual failure to meet the objectives of the change. For example, less than two years after the creation of the Department of Health Services, the Department of Mental Health was removed from its management control and established as a separate department. The principal reason was that no provision had been made to ensure that medical and mental health professionals could work effectively together on common goals. To preserve mental health services, the Board was forced to abandon the original merger plan. The point is not that the merger could not have worked. It is that it did not work for reasons that had to do with professional compatibility and were not foreseen in the implementation planning.

The task force concludes that consolidation is desirable if the reorganization form is chosen. However, the price of an action to create and implement an entirely new structure for the governmental system could include major disruptive effects. Therefore, while it is a desirable structural goal, it should be preceded by a transition stage in which the risk of disruptive effects is diminished.

Program Management/Matrix. Program management structures are used in industry to organize disparate functions and technologies to meet a specific goal, frequently within time constraints. For example, a company introducing a new product or service might establish a program management team to research the products, markets, production techniques and quality control requirements, develop a plan for implementation, and implement. The program manager assembles the program group by drawing people from the various functional divisions in the

company. The functional divisions represent specialized areas of expertise, including for example marketing, process automation, planning and scheduling, safety and the like. Once the goal is met and the new unit created to market the new product or service, the program management group is disbanded or restructured for production.

The program management structure differs in major respects from traditional County organization and from the agency and consolidation reform models. Traditional County organization is functional; program management is not. In a functional organization, activities are grouped according to the nature of the work - for example, engineering, accounting, finance, clerical. In counties, professionals often refer to organization by constituency as functional. They view relationship with a particular client group or funding source as part of the technology of the work.

In contrast, in a program management organization work is grouped according to the product it produces, the service it delivers, or the purpose it serves. Functions performed by all groups as needed to produce all services are consolidated in a support group from which the program managers purchase services. (The term matrix refers to a visualization of the relationships between program and functional groups in a table of rows and columns.) Program decision making is highly decentralized, usually as profit or investment centers, while functional resources are highly centralized, in cost centers. Administrative systems are standardized, and performance standards established and enforced centrally.

To implement a program management structure, the first Board decision be the design itself. However, this form of management and control differs radically from traditional government norms for grouping like functions. For example, Consumer Affairs and Weights and Measures would be integrated in a consumer protection function. The Public Guardian functions would be assigned to Mental Health. Social Services might be removed from DPSS and assigned to Community Services. All of the assignments would be based on Board and CAO review of the commonalities of mission now produced by separate departments in the County-wide system.¹

The basic design question is difficult. We know of no California County using this structure and its decision making support. Some of the elements are

¹Some individual County departments now practice a form of program management. The County-wide system is not structured as a program management system.

present in Los Angeles County. The Fire Department, for example, incorporates all of the resources for fire suppression and prevention, while purchasing services from Mechanical, Building Services and the County Engineer. Similarly, the Public Library operates an integrated system of services with support from centralized County resources.

Generally, however, the present structure is not suited for easy transition to program management. Agency and consolidation structures are based on functional concepts of organization. Implementing them would start with the present departmental configuration. In contrast, implementing a program management organization would start with the missions, programs, and decision processes, possibly common to several departments, unified by product or service. For example, the referral and care programs managed by the Department of Senior Citizens are part of the same County product (or service) as referrals in Consumer Affairs, CAO and DPSS. The purpose of Areawide Agency planning in the Department of Senior Citizens Affairs has less in common with DPSS or Consumer Affairs than with Community Services, Regional Planning, and the CAO.

Therefore, we conclude that the concept of program management structure is technically feasible in Los Angeles County, but it could require significant legal changes, and would be certain to require major changes in the roles of the CAO.

Implementing the concept would reduce the number of departments and simplify the system by realigning functions supporting the same or similar goals into several major service groups. Accountability for services and effectiveness would be delegated clearly, since one individual would be responsible for all the functions contributing to a group of related services. Costs would be easier to control and priorities much easier to assign in terms of community need. Since evaluation would focus on meaningful measures of cost and effectiveness, including returns on investment where appropriate, managers would have major incentives to use resources more efficiently, by contracting or whatever means is preferable.

In its various industrial forms, the program management model has been found to have some disadvantages. The principal disadvantage is that it can lead to a proliferation of senior, management and coordinative positions. The interactions among CAO, program managers, and cost centers could become highly complex because of the sharing of resources and the requirement to manage them. Therefore, while this structure may be more efficient, effective and productive, it is not controlled on a line item or salary basis. It would be a radical departure from the norms for government. In particular, it would require development of

program and cost accounting systems capable of aggregating costs on a program basis.

Committee or Task Force Structures. Like program management, the committee structure is used to meet a specific goal that may be time-constrained. It differs from program management in that no individual is placed in charge of and accountable for meeting the goal, and there is no transfer of personnel from functional units. The committee is assembled from departments which have a stake in the outcome of its work. The committee structure is therefore a mechanism to coordinate differing interests and priorities and to accomplish the objective through obtaining the participation of those involved. Once the issue is resolved - whether or not the goal is accomplished - the committee is disbanded and the new policies or projects transferred to the standing bureaucracy.

Los Angeles County has used this structure in the fuel site consolidation project, in the implementation of a one stop permit information center, and in the development and planning of criminal justice information systems and financing policy. In such cases as the Countywide Criminal Justice Coordinating Committee, the committee may also be used for political goal setting.

When the Board assembles a committee for a specific, well defined objective, it can be quite effective. For example, the committee established to implement the one-stop development center is composed of departmental decision makers and affected parties. They all support the effort, and the committee has been successful at all stages of implementation. In contrast, committees assigned such projects as fuel site consolidation or inventory systems development do not necessarily function well. The participants may disagree, too many may be involved, or necessary analytical resources may be lacking.

When the Board assembles a committee of department heads and elected officials whose activities cannot be merged but must, nevertheless, be coordinated, the committee can be effective on several different levels. The first level is political. When the members agree on the goals and objectives of the governmental function - that is hold consistent political views - a committee can be quite effective in proposing and obtaining support for policy changes. For example, the Countywide Criminal Justice Coordinating Committee has designed and is circulating an initiative on criminal trials for presentation to the electorate. The likelihood that such committees will accomplish much declines rapidly when their membership includes officials with widely divergent views, and reaches its lowest point when the committee is composed of people with no decision making authority.

The second level on which such committees can be effective is the operational. Whether or not the members' political views are compatible, they can agree on joint methods of reducing costs or improving efficiency. For example, the Countywide Criminal Justice Coordinating Committee has designed and obtained financing for a case indexing and tracking information system to improve the efficiency of processing cases through the courts.

Thus, committees can be effective tools for coordination when given a specific task, when they are composed of decision makers, and somewhat homogenous.

Committees do not perform well, over time, when assigned ongoing bureaucratic or collaborative functions. They meet part time, and usually infrequently. Their members have major responsibilities and commitments outside the scope of the committee's functions. It is unrealistic to expect any such committee to spend the required energy on sustained, priority effort to plan, coordinate and implement highly complex, multi-department programs.

For example, after adopting a long-range plan for data processing systems, the Board established an Electronic Data Processing Advisory Committee. The committee is composed of all County department heads and staffed by the CAO. Its function is to determine the implementation priorities for data processing systems. In the earliest stages, all department heads attended and participated enthusiastically in the effort. However, as the competition for limited data processing resources became more intense, enthusiasm waned and attendance dropped off. Decision makers delegated membership to lower levels in their departments. The committee still operates. Staff support is sound. Now, the committee has little or nothing to do with the ongoing task of planning and implementing Countywide priorities for data processing. In the justice area, for example, it has been supplanted by the Countywide Criminal Justice Coordinating Committee.

Because they cannot substitute for a bureaucratic function, committees do not represent an effective means to address the structural problems of the County's executive system. The Board's span of control remains the same. Membership on a committee does not change the underlying departmental structure or affect the budgeting and decision making processes in any way. Therefore, a committee system is not a sound design goal for the County. Like the agency structure, a committee structure may be effective if viewed as a temporary first step in accomplishing a complete reorganization.

Systems Management and Organization. The concept of systems management

is to put some individual in charge of all activities, programs and functions which contribute to a well-defined goal, regardless of which or how many separate departments and divisions are involved. By definition, a system incorporates activities with homogeneous goals, and it includes sufficient activities to meet the goal. The responsibility for a common goal unifies all activities included in the system, when they are contributing to that system. The systems executive has the ability to determine how much progress is needed, and in what direction, to meet the goal, and has the power to modify goals when necessary by monitoring progress and evaluating feedback. Systems are defined so that outcomes are observable if not measurable, and the leadership has sufficient resources not only to meet goals but also to observe intermediate outcomes. Rather than emphasize the hierarchical control of departmental organization, systems management emphasizes coordination of the activities of many organizations, even when there is no possibility that they can be merged or reorganized.

Systems management is unusual in local government. The information systems and networks needed to support it are not available. The political resolve to define systems and enforce continued agreement on goals is seldom present. The mental health system, for example, would incorporate activities of the Department of Mental Health, the Public Guardian (part of the Public Administrator-Public Guardian), the Board and care homes functions of the Department of Public Social Services, the patrol functions of the Sheriff and city police departments, the paramedic functions of the fire department, the emergency care functions of the Department of Health Services, Departments 95 and 95A of the Superior Court, and others. Clearly, these could not be merged into a single operating entity. No appointed official could be held accountable for performance, since several elected officials contribute to the system.

Implementing systems management in Los Angeles County would require establishing a process ending in the assignment of systems responsibility to a single executive. Those responsible for County systems would not have appointing authority. However, they would have responsibility to propose reorganization, budgets, and programs to appointing authorities and to the Board of Supervisors. A systems management strategy would address the structural and decision making problems of the County's executive system. It would, by definition, establish unified goals and missions. Analysts have found that governmental jurisdictions which have organized for systems management and analysis have been the most able

to change and to respond to changing environments.¹

Establishing a structure of Countywide systems requires methods of thinking and strategic planning with which officials of the County and most political systems are unfamiliar. That is, it would require the Board and CAO to adopt a statement of what the business is that the County and its institutions are in. "Delivery of services" is inadequate. Many departments also perform regulatory functions. Nor is it adequate to define systems in terms of traditional governmental functions or intergovernmental relationships. Public health, for example, includes at least three functions with markedly different outcomes or measurements - epidemiology, clinical treatment, and environmental regulation. Such intergovernmental programs as those of Senior Citizens incorporate both regional planning and service production. Establishing a systems management structure would entail first sorting out all of the activities of all programs and departments - regulatory, service production, delivery, planning - and second deciding on the unifying missions, goals and objectives that would serve as the basis for analysis, organization and management. Since missions and goals are political, the chance that they would be agreed to on a County-wide basis is not high. It is thus impractical to propose that the Board could implement this concept. The County's delivery systems are complex, multi-faceted interactions of competing forces. Controlling them with expenditure freezes, Board orders or bonuses is not feasible.

Summary. The objective of reducing and simplifying the County's executive structure will require early Board choice of an overall concept of organization. Implementing any of the alternatives will require establishing 1) a method of grouping departments, 2) powers and duties of heads of the new entities, 3) means of preserving programs, and 4) means of motivating incumbent officials to support the objectives.

The table below summarizes our judgment of whether or not each of the available concepts could serve to support the objective stated in the heading of each column. In the table entries, YES means the organizational concept could be implemented to improve County performance with respect to the stated objective, NO means it would not, and MAYBE means that it could, depending on the details of implementation. The last column refers to our judgment of how difficult implementation would be in the local government environment. The concepts of

¹Louis C. Gauthorp, "Organizing for Change", Annals of the American Academy of Political and Social Science, Volume 466, March, 1983.

organization which are preferable for meeting the objectives we proposed in Chapter III, a comprehensive reorganization or a model of systems management, would also be the most difficult to implement.

COMPARISON OF ALTERNATIVE DESIGN CONCERTS

DESIGN CONCERT	SUBOPTIMIZATION	COSTS	PRIORITIES	DIFFICULTY
AGENCY -Strong -Weak	NO NO	MAYBE NO	YES YES	MAJOR MINOR
CONSOLIDATED -Departments -Reorganized	NO YES	MAYBE YES	NO YES	SOME MAJOR
PROGRAM	MAYBE	YES	YES	MAJOR
COMMITTEE	NO	NO	NO	MINOR
SYSTEMS	YES	YES	YES	MAJOR

Alternative CAO Roles

If the structure is to change in accordance with any of the above alternatives, the roles of the CAO, as clarified in a new ordinance, would also change, depending on how the Board wants to use the structure to accomplish its policy objectives. Within the framework of current law, the Board has several alternatives. We have considered the following:

- appoint the CAO as de facto head of all departments or a group of departments;
- establish weak agency heads in the CAO's office;
- require the CAO to participate fully with the Board in the selection, appointment, evaluation, reward and discipline of department heads and County managers;
- require the CAO to develop and implement Countywide management, production, and cost standards and to report periodically on departmental compliance;
- require the CAO to establish strategic planning, organizational planning and control, and systems management and evaluation functions and to report periodically on proposed changes with implementation plans.

The CAO has the appropriate human resources - talent, skills, knowledge - and the appropriate organization to accomplish each of these and to implement any of the structural alternatives. However, the CAO lacks the processes, technical resources and authority, that would be needed for full implementation. For example, planning, standard-setting, and systems evaluation would require additional computer support of the budget process, multi-year budgeting, and program accounting.

Multi-Position CAO. On occasion, Boards of Supervisors have appointed an incumbent CAO to another department head position. In 1938, the first CAO was, and remained, the Purchasing Agent. The current Board has appointed the CAO as Director of Personnel. Until recently, the CAO was also the Director of Animal Care and Control.

Appointing a CAO as head of an operating department has the advantage of transferring to the CAO sufficient authority to implement changes in that department. Appointing a CAO as head of two or more departments transfers sufficient authority to merge them, to establish uniform administrative systems, or to institute other effective means of improving operational performance.

This method of increasing the CAO's authority suffers from the disadvantage of questionable legality in many instances. In addition, it could dilute the office's independent stance in making budgetary and evaluative decisions. Finally, depending on the number of departments assigned, it could overload the CAO's ability to manage effectively.

There are few legal and practical obstacles to the Board's authority to appoint the CAO as department head in the case of a vacancy. In some instances, the law requires a public official to have certain qualifications or credentials to hold a position. The Board could not appoint an unqualified CAO to a position requiring admission to the California Bar, medical credentials, or other certification. Any of the incumbent department heads, if protected by civil service, could appeal Board action to replace them with the CAO, and could seek relief in the courts. While this would not be an absolute barrier to appointing the CAO, the Board would have to consider the time and expense as a practical obstacle. Similarly, as a practical matter, a CAO might decline such an appointment for a number of reasons.

Agencies in CAO. When the Boards of Fresno and San Diego Counties grouped departments into agencies, they located the Agency heads in the Chief

Administrative Office. The CAO appointed the Agency heads by Charter authority. Agency heads appointed department heads. Therefore, the CAOs in those counties have direct authority and control over management personnel in a hierarchical system. Since the CAO becomes, in effect, a line manager of operations, the staff services must be located elsewhere. For example, San Diego County decentralized production functions associated with budgeting and personnel. Each Agency presented the CAO with a completed budget. The CAO's function was to establish County-wide budget policy for recommendation and Board action.

The principal advantage of this structure is that the CAO has sufficient authority to implement reorganization, management standards, and uniform systems within each agency. It simplifies the structure reporting to the Board and the CAO's planning and control processes. The major disadvantage of the structure is that it insulates the CAO and the Board from a sense of direct control over operations. San Diego recently dismantled its agency structure, partly because the Board wanted to regain its hands-on authority to direct department activities.

There are no legal or practical obstacles to establishing weak agency heads in the CAO's office. In Los Angeles County, legal and practical considerations would limit the Agency administrator's ability to direct department heads. The laws, civil service, and other practical issues would have the same application as in the case of appointing a CAO as department head.

Joint CAO / Board Authority. The CAO presently has both formal and informal authority to influence the Board's appointments and subsequent management of department heads. The County Code assigns the CAO responsibility to conduct the initial performance evaluation and present it to the Supervisor who is department chairman. As Director of Personnel, the CAO negotiates a level of compensation and recommends it to the Board. Informally, the CAO can influence the selection of executive search firms, interview panels, and other resources the Board uses in the selection process.

The principal advantage of this system is the same as for any system of shared accountability. When the selection is a good one and performance is adequate, the process works. The system has two major disadvantages. First, it does not provide a means for taking time and changing conditions into account. Current Boards and CAO's are accountable for the performance of department heads appointed and evaluated by past Boards. Second, when the selection is poor or performance deteriorates, no one is to blame. More precisely, each can rightfully blame the other.

CAO Performance Standards. Standardization of functions, operations and costs represents the primary means for service businesses to control costs and improve productivity. Although some of the County's systems were designed to centralize standards, no one has the responsibility to maintain, upgrade or enforce them.

For example, the County's job classification system is centralized. It includes definitions of some 3500 jobs. Many jobs are described in the same way for each department, and assigned to the same pay scale County-wide. Nevertheless, as our Field Study Team from UCLA found in its study of seven internal services departments, the actual work assigned to and performed by people holding those jobs varies widely from department to department. Effective functional standards do not operate at the level of the individual job.

Similarly, we find little evidence of effective standardization of work, production or cost at functional or operational levels. Indeed, there is little evidence that the information required for standardization is centrally available, even for such centralized operations as payroll, personnel, accounting, inventory management, and space management.

The Chief Administrative Office has the internal technical resources needed to work with the departments to establish and maintain standards. The Chief Administrative Office also manages the tools which are sufficient to enforce Countywide performance standards, namely the budget and classification-compensation functions. The only lack is formally delegated Board authority to enforce standards.

The advantage of centralized enforcement of performance standards is increased control of costs and productivity. The primary disadvantage, in the present County system, is a high probability that they would soften over time in departments able to persuade the Board to grant exceptions.

CAO Corporate Strategy. The idea of systems planning and management is an extension of the standardization concept from an emphasis on control to emphasis on planning and evaluation. The CAO would have full responsibility and authority to recommend, develop and implement improvements of Countywide management and support systems. The tools necessary to accomplish this are available in the CAO. They include the budget, the management personnel incentives plan, the contract administration plan, the data processing plan, and the legislative process. They include work measurement, operations modeling, and executive training. However, the present application of these tools is almost

exclusively control oriented. They are used on a single year, department by department basis to pressure the departments to comply with budget policy.

To use these resources for systems planning and evaluation, the CAO would have to shift the emphasis from control to multi-year programming. Controls would be present. Plans by definition incorporate standards. Effective evaluation would isolate the reasons for any departure from standards in a County department or agency, and correct them. The CAO's role in management performance review for the Board would control compliance.

This concept of the CAO's role incorporates three major differences of emphasis from the current control system. The first difference is that the CAO, acting for the Board, would set the goals for the County as a whole in collaboration with department or agency executives. The second difference is that the goals and programs would refer to multi-department systems rather than to single department functions. The third is, the plans would encompass programs and projects for several time frames, say three and five years, and for the Countywide geographic expanse.

This concept would represent a major change in the role of the CAO and in the CAO's relationship to departments. It would not require a change in the CAO's resources or organization. The necessary skills are there. It would require a higher degree of inter-divisional project work, and it would require a change in the nature of the work performed by the Management Services Division. The Division would have the planning, programming, and systems evaluation responsibility. It would work closely with budget and legislative specialists on implementation issues. Departmental or Agency audits would be purchased by the department from contractors, or performed by the Auditor-Controller.

The advantage of this concept is that it would radically improve County-wide performance. It has several major disadvantages. First, no one has ever made it work in a political system. Elected officials have short planning horizons, limited usually to the term of four years. In Los Angeles County, they must deal with 83 cities and a multitude of other special interests and political forces. Second, neither the laws nor the realities of County production requirements support multi-year planning. The most fundamental concern of County service providers is survival from year to year, on a hand to mouth basis. Except in such cases as income maintenance programs, where research has supplied accurate forecasting methods, County officials have little ability to forecast their operating environments over the next fiscal year. Forecasting over more than a year would take a major

revision of the assumptions they make about sources of financing.

Summary. We have described five approaches to the organizational design problem: Agency, consolidation, program, committee, and systems. In order to reorganize the County system effectively, some changes should also be made in the formal role of the CAO. We have supplied an example of the kinds of changes we believe are needed, in the form of a model ordinance in Appendix III of this volume. The budgeting and planning functions performed by the CAO would not change. The ordinance would be modernized to reflect how they actually operate, and to clarify the relationships among the Board, CAO, and departments in the budgeting and planning processes. The ordinance should be changed to include the functions performed by the Legislative and Management Services Divisions. The legislative functions would remain as now performed, but the ordinance would be modernized to include them.

The ordinance should be modified to include organizational functions which specify a stronger role for the CAO in supporting the Board's management responsibilities. We have described alternative methods of changing the management role of the CAO: centralized appointing authority, joint CAO/Board authority, performance standards, and corporate strategy. We prefer a system which specifies CAO responsibility for development and enforcement of County-wide administrative standards. In performing this role, the CAO would shift the emphasis of work in the Management Services Division from audits of single departments to audits of multi-department operating systems and administration, to establishing systems performance standards, and to evaluating operational performance in comparison to the standards.

The table on the next page summarizes our views on the degree to which it would be necessary to change the CAO's role in order to implement each of the alternative County-wide structures we described above. Thus, we prefer the goal of comprehensive reorganization of the county's departmental system, with systems management and planning located in the CAO's office.

The task force reviewed issues of intergovernmental and political feasibility, legal feasibility, and technical feasibility. We also reviewed the various alternatives available for the Board's use as incentives to motivate support for effective implementation. We discuss these next.

Comparison of Alternative Design Concepts
Degree of Change in CAO Roles

<u>DESIGN CONCEPT</u>	<u>TASK FORCE PREFERENCE</u>	<u>CHANGE IN CAO</u>
AGENCY -Strong -Weak	NO NO	MAJOR MINOR
CONSOLIDATED -Departments -Reorganized	NO YES	SOME SOME
PROGRAM	YES	MAJOR
COMMITTEE	NO	MINOR
SYSTEMS	YES	MAJOR

Feasibility Issues

Intergovernmental and Political Constraints. While the Charter appears to give the Board authority to reorganize the County, and the Board's ordinance can be revised to modernize the definition of the CAO's responsibility, no local actions can resolve the underlying complexity of California's governmental systems. The balance of forces will continue between the three branches of government. The debate will continue over State control versus "home rule." The public will continue to insist on more efficient governance and services without tax increases. Moreover, access will remain open to all - citizens, unions, special interest lobbies.

Excluding school districts, there are over 690 local governments and taxation districts in Los Angeles County alone. We estimate that approximately 350 of the 690 are politically and legally independent of one another. County government, however, collects taxes for all of them, has contractual relationships with all of them, provides services to the constituents of all of them, has facilities in most of them, and performs regulatory and governance functions affecting most of them and their citizens.

Those services affecting city residents range in impact over the whole breadth of County services and regulatory activities. The Flood Control District links its system to city drainage systems; the Department of Health Services inspects all restaurants; the Sealer of Weights and Measures inspects all fuel pumps; the Agricultural Commissioner protects the entire region with programs in the ports

to detect and prevent entry of pests; the Sheriff supports investigatory functions of all police departments and provide policing functions in some 40 contract cities.

County government cannot feasibly, therefore, act unilaterally to reorganize the management and control of its own programs. It must negotiate the impact with a multiplicity of external political units.

Nor can Boards and CAOs act unilaterally within the County's local intergovernmental framework. Assessors, District Attorneys and Sheriffs are elected by a Countywide constituency. Their policies and operations are fully independent of Board direction, and it can take no action affecting their organizational relationships to other departments. The courts must be consulted not only about Board actions affecting the Sheriff and District Attorney, but also about Board actions affecting such Board-appointed officials as the County Clerk and the Public Defender. In the early 1970's, the courts objected vehemently to exactly the kind of reorganization we propose, and it was eventually abandoned for that and other reasons.

Moreover, the Board and CAO cannot act unilaterally within the system of departments whose executives are appointed by the Board. We are not referring here merely to "mandates" adopted by the State requiring the County to provide some service or another. Rather, we are referring to those cases in which a Board-appointed official, not the Board or CAO, is liable for a public trust or a sovereign power of the State in the legal sense of being held to account in court. For example, the Public Administrator - not the Board - is accountable for the integrity of the estates in his or her charge. Similarly, the Public Defender - not the Board - is liable for protecting the rights of each indigent defendant. The Purchasing Agent - not the Board - is responsible for procurement of all County personal property.

Finally, the Board must consider the potential impact of reorganization on private corporations and public employee unions. Major corporations and small businesses have well-established relationships with County organizations and managers. Their interests in effective and efficient government can deteriorate rapidly if reorganization might disrupt the system they know, just as the opposition of criminal lawyers delayed Board adoption of the CAO's proposal to contract for alternate public defenders. Similarly, public employee unions may oppose, in the Legislature or courts, any reorganization plan they view as adverse to their interests and they may promote organizational changes they view as beneficial. For example, in recent years the unions have proposed State legislation to transfer

employee relations, bargaining policy determination, and personnel management from the County to the State Personnel Board (SEERA). Thus, if they oppose reorganization, the effects may include a substantial further erosion of local control.

The difficulty of implementing past organizational changes has been partly a consequence of the central role of negotiation in accomplishing Board policy objectives. To adopt a major system change, the Board may have to consult hundreds of other elected officials, face hundreds of angry tenants, senior citizens, veterans or other constituents, or forego the campaign contributions of major corporations or unions. The program we recommend takes this into account, and provides sufficient time to work out the necessary negotiations and compromises.

Legal Constraints. In order to change the structure of the County government or revise its decision making processes, the Board may: 1) propose a Charter amendment to the electorate, 2) adopt, repeal or amend the County's administrative ordinances, 3) adopt an administrative order.

Los Angeles is a Charter County. The Constitution establishes County government and provides for County Charters. The Charter may be adopted, amended, repealed or revised by majority vote of the County electorate. The Constitution requires Charters to provide for the organization of County government. The Charter must provide for consolidation and segregation of County officers. It must provide methods by which the Board can prescribe the powers, duties and compensation of employees, the number of employees and the methods of appointment and removal. The provisions of the Charter supersede all laws that are inconsistent with them. They supersede the general laws for counties. They are the law of the State and have the force and effect of law.

Adopting a Charter does not revoke the County's relationship to the State. No County is fully independent of State control. According to the Constitution, the Charter must provide for the performance of functions required by statute. Further, the Constitution specifies certain relationships between the State and counties. For example, it grants the Legislature plenary power to provide for the administration of relief through the counties and to grant aid to the counties or provide for reimbursement as it sees fit (Article XVI, Section 11). It is silent on the question of how the governing body may organize those functions, except that a governing body and Sheriff must be elected and that the Charter must provide for the "consolidation and segregation of County officers."

The County Charter of the County of Los Angeles designates the Board of

Supervisors as the appointing authority for all County officers who are not elective. County Counsel advises us that the Board cannot change the structure by delegating its appointing authority without proposing and obtaining voter approval of a Charter amendment. However, the Charter gives the Board powers to adopt ordinances establishing the organizational structure of Los Angeles County government. Among the duties of the Board, the Charter specifies the following:

- "To provide, publish and enforce, a complete code of rules, not inconsistent with general laws or this Charter, prescribing in detail the duties, and the system of office and institutional management, accounts and reports for each of the offices, institutions and departments of the County. (Section 11(6))
- "To provide, by ordinance, for the creation of offices other than those required by the Constitution and laws of the State, and for the appointment of persons to fill the same, and to fix their compensation. (Section 11(4))
- "The Board of Supervisors may also, by ordinance, consolidate or separate offices provided for in this Charter or by law." (Section 11(4))

We consulted County Counsel for an oral opinion on any limitations of the Board's legal authority to separate or consolidate offices. County Counsel advises us that the Board, in order to effect a reorganization without seeking legislation or Charter amendment, may:

- appoint the same individual to two or more offices, in which case the individual has the powers and duties of both;
- merge or separate two or more departments or offices, except that the Board cannot compel an official to divest duties established by law or to absorb additional duties;
- separate functions of one department and reassign them to another, if they are constitutional or statutory functions of an official; that is, according to our discussions with counsel, the Board of Supervisors cannot add to or subtract from the duties of a public office.

On the other hand, the Board and County Counsel have apparently found ways to effect reorganization within these limitations. The Charter lists 24 appointive County officers and four Boards or commissions. It provides that any other County officers that may be provided by law are appointive. Boards of Supervisors have exercised the power as granted in the Charter. For example, although the Charter and statutes establish an office of "Fish and Game Warden",

the duties are apparently consolidated within a County department supported by an advisory "Fish and Game Commission." Boards have, by ordinance, consolidated the Registrar with the Recorder, although both are listed as separate offices in the Charter. They have reassigned statutory duties of the County Clerk to the Registrar-Recorder. Similarly, Boards have merged the Department of Facilities, which is not mentioned in the Charter, with the County Engineer, which is. They have designated the Public Administrator, a Charter officer, as ex-officio Public Guardian, a statutory officer. They have merged the offices of Health Officer, Director of Hospitals and County Veterinarian.

Therefore, in our view, the controlling Charter sections are the paragraphs in Section 11 (4) and 11 (6). That is, as long as it provides for the performance of functions required by the State, the Board appears from the generality of the language in the Charter to have the authority to organize those functions into departments or programs in any way it chooses that would meet a test of logic or reasonableness.

In the program we recommend to reorganize the County system, County Counsel would have not only the present advisory role, but also would be a direct participant in the design of the new organizational structures. Thus, the Board could be advised early when legislation would be needed to implement a proposed change or when a proposed change would be illegal with or without enabling legislation.

Incentives

County department heads and other interested parties have had few incentives to support reorganization and every incentive to oppose it. Each department and its programs shares equal priority with all the others. Ironically, the costs of the structure, in program and in efficiency, have been the subjects of department heads' complaints for years. At the 1977 Management Conference, our survey of County officials revealed their general belief that "duplication and waste" were primary causes of County problems and should be top priority for correction. Nevertheless, the slightest hint of a reorganization plan affecting a particular department sets up a wave of protest, culminating in a Board hearing and abandonment of the objectives.

When County government succeeds in reorganizing, it does not always succeed in meeting the objectives for which the reorganization was designed. Consolidation of departments, for example, does not always result in mergers of duplicative

activities, net reduction of costs, or less bureaucratic, faster response. The reverse may occur, unless detailed plans are devised and implemented to ensure successful merging. The new department merely superimposes a new layer of management on the former separate units. When nothing is done to reduce duplicative management and workforce at all levels in the new organization, the result is higher costs and increased bureaucracy.

Now, as the economic effects of Proposition 13 are becoming clear, the Board has the means to provide incentives for departments to support reorganization and additional means to accelerate its benefits. The Board can use budget reductions, external competition, and compensation adjustments as strategies to motivate support for reorganization plans. It can use performance bonuses and accelerated or early retirement to ensure the effectiveness of reorganization.

Budget Reduction. Smaller County departments, particularly those with a primarily local mandates and funding, have been particularly vulnerable to budget reductions. Sharing of resources, particularly management and administrative resources with others may become attractive to avoid absorbing the impact in departmental programs. Such departments as, for example, Consumer Affairs and Weights and Measures may join forces with others to protect the consumer from the impact of the severe budget reductions that have occurred in their departments.

External Competition. County government now has the option to contract for services with private companies. When private companies can perform at lower cost, it is frequently because they have more efficient methods than the County of organizing the work and controlling overhead. Competition forces them to find such methods and to control their service to levels their customers choose to pay for. The essential feature in their incentive is that the customers can choose the level and quality at the price they are willing to pay.

The function of the internal services departments is to produce services which are consumed by other departments. Such public service departments as Health Services, Social Services and the Sheriff provide the principal demand and the revenue for such internal service departments as Collections, Mechanical and Communications. At present, however, they have no choice of supplier.

Given the choice, the public service departments will contract with private companies, instead of paying the internal services departments, whenever private companies can produce equivalent services for less. At present, public service departments have proposed contracting for \$13.4 million in services they would otherwise have been forced to buy from the Mechanical Department. The

Mechanical Department is thus forced into price competition with private companies.

The Board can apply the same principle to other internal service production departments, provided the use of the option is controlled by the CAO to ensure that County-wide costs do not increase in excess of the benefits to the individual departments making the purchases. (Such limitations could be severe in the case of Data Processing and Collections.) The force of external competition will create a powerful incentive for such departments to support reorganization of internal services to effect cost reductions in overheads and administrative processes. This strategy reduces costs even if consolidation does not occur, because the contracting is then less expensive and forces corresponding reduction in the service department. The reorganization program we recommend includes it as a policy to be managed by the CAO.

Compensation and Classification. The County operates a highly centralized system of classifying jobs and setting compensation levels, including benefit levels. The program we propose includes a comprehensive review of compensation policies for department heads and other managers. It may also be necessary to modify the job classification system for administrative processes in order to ensure that reorganization results in standardization rather than merely the transfer of duplicative practices. Thus, classification and compensation policy should remain in the CAO's office, as part of the CAO's function.

Incentive Bonuses. The County has defined its incentive program so that all managers, regardless of department, will be treated the same way. In the reorganization program, departments which are candidates for reorganization should be targeted for no bonuses at all or for much smaller bonuses. This might make reorganization attractive to managers in those departments so targeted.

Once reorganization is accomplished, those who work most effectively to ensure its success should be eligible for bonuses: the effective support of the reorganization objectives should be a criterion for establishing the granting and level of bonuses in the new department.

Early Retirement. Recently, the Legislature adopted and the Governor signed a law permitting members of County retirement systems to retire early without loss of benefits (AB 3262). After reorganization, people in senior management positions could be encouraged to elect this option, thus reducing the chances that reorganization would result in higher, duplicative administrative costs or an increase in the levels of supervision and management in the new department.

Thus, the Board could encourage management to reduce its ranks and

streamline the organization in order to ensure the effectiveness of a reorganization.

Summary. While the Constitution and the County Charter appear to give the Board of Supervisors the power to reorganize the County system, the Board's powers are constrained by law and by the political realities of the intergovernmental system. They are also constrained, politically and legally, by the organizational system that is in place and operating. Therefore, the specific changes that will result from a plan to reorganize the County cannot be predicted in detail. Each detail must be made to conform to current law, or the law changed. Each detail must be designed to take into account the fears of constituencies and affected jurisdictions that programs would be affected adversely. At present, the Board has several options available to use as incentives to encourage effective implementation of organizational initiatives. They include the early retirement plan, the bonus plan, compensation review for management, and budgetary policies guaranteeing retention of savings for programs following reorganization.

Conclusion

The first step in meeting the objectives we discussed in Chapter III, to restructure the County system, clarify the roles of the CAO, and standardize administrative systems, is to adopt an overall concept of County organization and implement a plan to reorganize the system in accordance with that concept. We have described various forms of agency, consolidated and systems organization that would be technically suitable for County programs, and we have designated them as Agency, Consolidated, Program Management, Committee and Systems Management forms. We have discussed the degree to which each would support solutions to the County's operational and financial problems. We have indicated that realignment of programs is necessary, rather than mere groupings of departments. Thus, although the Agency or Committee forms of improving coordination and reducing the Board's span of control may produce short-term benefits, they would not serve as long-term organizational goals. For the long-term, we prefer reorganization by implementing program management practices on a County-wide basis, realigning programs into a system of 15-20 departments, and establishing, where feasible, systems management and evaluation in the CAO's office.

The organizational changes, and any progress on standardization objectives, will require changes in the relationships among the Board, CAO and departments.

The ordinance should be changed to reflect what the CAO actually does, including legislation and budgeting. Most of the functions of the office would not change. However, the activities of the Management Services Division would change in emphasis to permit more effort on establishing and enforcing County-wide standards, and on the evaluation of multi-department delivery systems.

We have established the general technical feasibility and desirability of the changes we propose. Because of the legal and political environment, however, we recognize that the details of implementation must be subjected to legal review, and in some cases may require changes of the law. We have discussed the options available to the Board as incentives to reduce political opposition, particularly where County department heads may be motivated to support reorganization in order to produce additional resources for the programs they operate.

Appendix I and the Summary of this report contain feasible structures for the initial grouping of departments into agencies or committees. During the initial phases, none of the authority relationships among the departments would change, but department heads would be charged with the responsibility to propose a reorganization plan to the Board. Appendix II contains a structure for the final reorganized County system which appears to us to be technically feasible and appropriate, but which would require legislative changes. Appendix III contains a feasible revision of the County Code as it relates to the CAO's functions. Appendix IV contains a brief review of the Agency concept and its realization in other counties. The next Chapter of our report contains a discussion of the phases of development we believe necessary for implementation.

CHAPTER V IMPLEMENTATION PLAN

The comprehensive reorganization that we propose cannot be accomplished in a single vote at some Tuesday meeting of the Board of Supervisors. Nor can the organization, once designed and adopted, be permitted to simply evolve from that point on. Therefore, we recommend a phased approach.

In the first phase, to be concluded in the first year, the Board would establish initial groups of department heads and designate one in each group as responsible for identifying commonalities and dissimilarities in administrative functions. When elected officials choose to be involved in a group, or when reorganization could affect the elected official's functions, the Board would designate the group of departments as a committee, rather than an agency, and ask the elected official to chair it. During this phase, the Board would work with the CAO to revise the ordinance on the CAO's function to more clearly reflect the actual operations of the office and to clarify its roles in the new structure.

In subsequent phases, the Board, CAO and department heads would revise their structures and their methods of operation to achieve the goal of complete reorganization. Throughout this period, which we estimate as four to five years, the participation of County Counsel in the design work is crucial, to make sure that any legislative changes that may be needed are known in advance.

In this Chapter, the task force discusses the implementation program for reorganization of the County system. First, we take up the issues of structure and present examples of the kind of reorganization we believe would be beneficial during each stage of the four-year program. Second, we discuss the roles of the Board, CAO, and departments during each of the phases. We have supplied a table summarizing the program for reference on Page 130.

Phases: Structure

We recommend that the Board of Supervisors adopt a goal to reorganize the County's departmental system within the next four years. The Board has sufficient institutional support, in the Chief Administrative Office, to complete the reorganization plan and to implement it. Realization of the goal will require initiating a process of organizational and systems planning for County operations. Reorganization that is too abrupt is more likely to disrupt than to improve performance. Therefore, implementation should proceed in stages. At each stage,

the Board, CAO and Department Heads will have major roles in resolving the policy issues that arise.

Since realignment of programs among County departments is one cornerstone of our proposal, we have emphasized that the Agency and Committee concepts of organization adopted in some governments is not a suitable long-term goal for the structure. Clearly, considerable analysis of missions and programs will be needed to establish the final plan of organization. In our view, even that final plan should not be viewed as a permanent configuration for County government. Organization should remain a dynamic part of the County's overall planning and management system, so that programs can be centralized and decentralized according to the changing requirements of public policy. Thus, we are emphasizing the need for a program of reorganization, staffed by the CAO, rather than a design we are confident should emerge after four years. The key to the four-year program is to adopt the concepts of Agency and Committee structure as convenient interim strategies for simplifying the structure while the details of the final organizational plan are developed, the activities of the CAO's office modified, and the Board's organizational policy established.

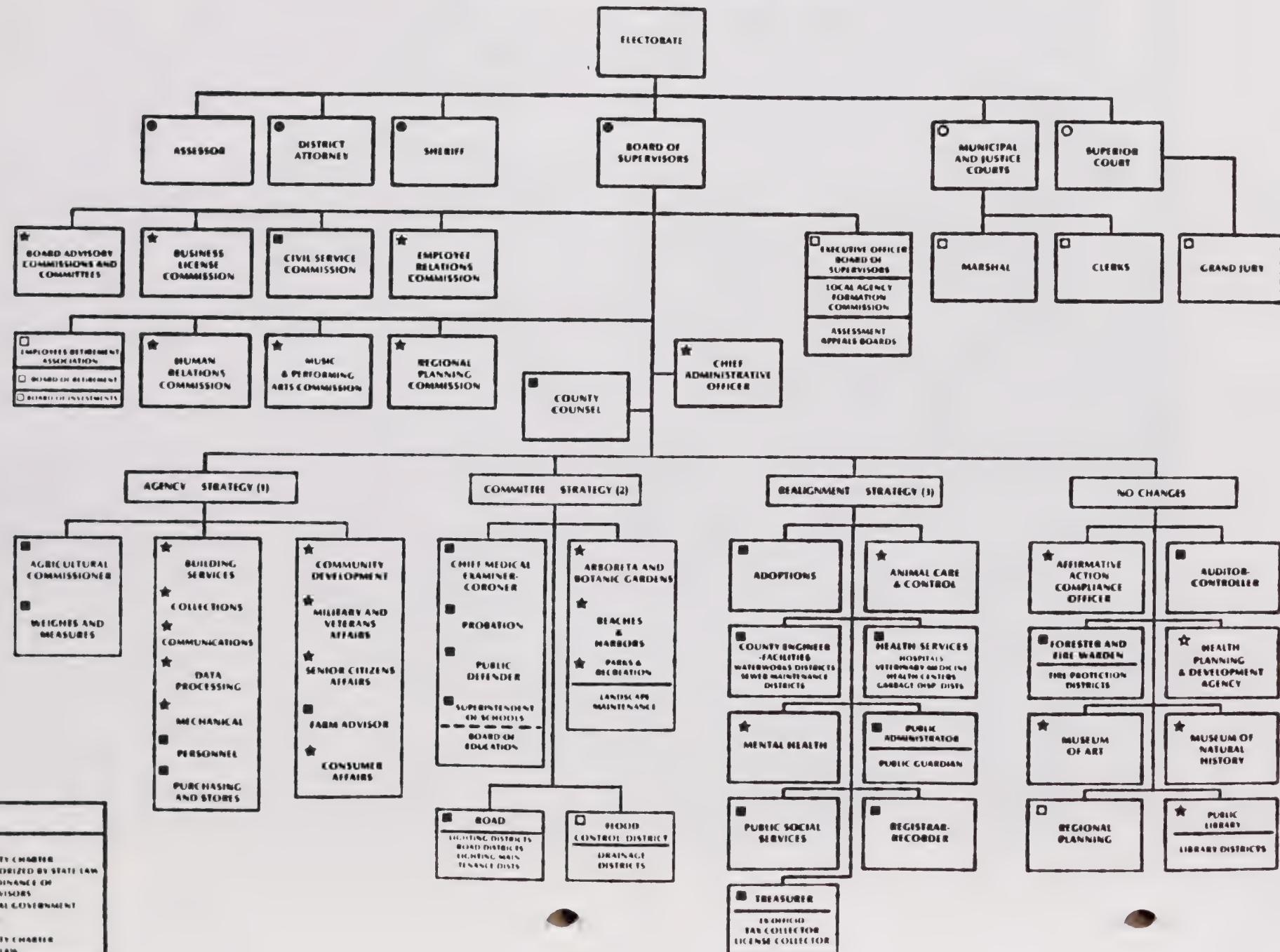
Interim Structure.

The chart on the next page shows the groups of departments that we have identified as reasonable initial groups. We have a rationale for associating their programs. In the chart, we have defined four strategies for grouping the departments and specifying the CAO's work with them: Agency, Committee, Realignment, and No Changes. The groups differ in the degree to which we are confident that we know how we would realign the programs within the group into a smaller number of departments, and in the nature of the work we would assign to the CAO to establish the final plan. Departments which appear in the same group will not necessarily remain in that group. In particular, we do not intend these groupings to suggest that the departments in each group should be unified under the same management. We intend them to suggest that the departments in each group have similarities which we believe will be useful to establish realignment plans for programs, and to decide issues of the standardization of administrative and business practices. Most important, none of the County's hierarchical authority relationships would change during the first year.

Agency Strategy. We envision three agencies: Agricultural Commissioner, Internal Services, and Community Services. In each case, the Board would designate

COUNTY OF LOS ANGELES

PROPOSED STRUCTURE AND PROGRAMS – INTERIM



one department head in the group to the lead responsibility for realigning programs and standardizing business systems. The CAO, through the Management Services Division, would provide the staff support for each group.

We have associated the Agricultural Commissioner and the Department of Weights and Measures in an agency for three reasons. First, each has a significant regulatory impact on the food and agricultural product distribution industries in the region and State. Therefore, unification of their programs should be possible. For example, combining some of their routing and scheduling routines may produce economies. Second, they have similar linkages and historical backgrounds in the State government. Thus, some of the administrative requirements may be similar and could be standardized. Third, their programs and managements have been associated in other counties in California. The Farm Advisor is not included in this agency because most of its programs are service oriented, rather than regulatory, and have a strong component of educational support, primarily through voluntary community organizations. The Board's instructions to this group should call for early determination of whether the programs of the Department of Weights and Measures could be more appropriately associated with the Department of Consumer Affairs.

We have associated seven departments in an internal services agency: Building Services, Collections, Communications, Data Processing, Mechanical, Personnel, and Purchasing and Stores. We have formed this group for two reasons. First, all of the internal services departments have the same management problem: the clients for their services are the remaining 40 departments appointed by the Board and the departments of elected officials. That is, although the techniques and products of their production activities are dissimilar, their missions and goals are similar - to create and maintain an operating and working environment for County programs that supports the effectiveness of public services. Second, these departments, more than any other except the CAO, maintain the strongest institutional controls over the administrative policies, procedures and systems that must be standardized if economies are to be achieved. Parts of the Departments of County Engineer-Facilities and the Auditor Controller could also reasonably be associated with this group. Instructions to this group would include early determination of whether the programs of the Department of Collections would more appropriately be assigned to a Financial Services Agency with the Tax Collector.

We have associated five departments in a community services agency: Community Services, Military and Veterans Affairs, Senior Citizens Affairs, the

Farm Advisor, and Consumer Affairs. These organizations specialize in a variety of forms of delivery of social services, referral, and contracting with community-based organizations. While their constituencies are different, and they work with different sources in the State and Federal bureaucracies, they have similar priorities on community-organization, and they serve the people, frequently through voluntary organizations, at highly localized and geographically dispersed levels in the community. Therefore, we envision some opportunity for unification of their resources and standardization of their communications and administrative practices. Parts of the Departments of Social Services and Adoptions could also reasonably be associated with this group. Instructions to this group should include early determination of whether the programs of the Farm Advisor should more appropriately be associated with the Superintendent of Schools and the Probation Department, and whether programs of the Departments of Weights and Measures and Consumer Affairs could more appropriately be realigned in a Consumer Protection Agency.

Committee Strategy. We have identified three groups of departments whose programs are related, but in ways that are not clear enough to support a reasonable early plan for how to realign their programs and unify their managerial and business processes. In these cases, the Board's instructions to the department heads would be to work with the CAO to identify the relationships among programs and establish organizational changes and standards where those relationships are strong. The committee would serve as a coordinative body, and lead responsibility assigned to the CAO. The three groups are: Recreational Facilities, Public Works, and Habilitation Services.

We have associated the Arboreta and Botanic Gardens, Beaches/Harbors, and Parks and Recreation because, at a minimum, those department heads can establish standardized protocols for land management, real property finance, development, concession management, and maintenance throughout the County's plant. While they each have different specializations, the departments have similar management problems in that they are responsible for keeping land and facilities that are geographically dispersed in safe condition for voluntary community use. They have similar management problems in the development and management of contracts for maintenance and for the operation of concessions or other private activity on the property, and in the regulation of public use of the property. The Airport functions of the County Engineer may also reasonably be associated with this group.

We have associated the Road Department and the Flood Control District in a

group because these department heads share several similar management problems. Each is responsible not only for a major component of the County's economic infrastructure, but also for a large and complex network of special taxation districts and assessment districts in local communities, which have financed public works activities. Each has extensive contracting activity, and each must deliver maintenance and programmatic services within city boundaries. Each is active in the politically sensitive arenas of public works, development, and construction. They therefore have similar needs for support from internal County policy and service organizations, and they should be able to substantially standardize the administrative systems of the two departments.

We have associated the Chief Medical Examiner - Coroner, Probation, the Public Defender and the Superintendent of Schools because we believe that improved coordination and integration of some of their programs may improve the effectiveness of youth-related detention and supervisory functions. These departments have roles in the justice system which operate at the overlap between services which are essentially oriented to social-welfare functions of government and services which are essentially law-enforcement oriented. The Board's instructions to this committee of department heads, and the CAO, should include early determination of how their programs are related, and at what points unification of management will make sense.

Realignment Strategy. The departments which we have assigned to the realignment strategy are not grouped. The CAO and County Counsel will conduct an analysis of the programs and activities of these departments to determine how to divide and merge programs and management among them, and among the departments we have grouped in agencies and committees, to achieve the reorganization and standardization objectives. In the case of Adoptions, it may make sense to locate the programs, and the social services (rather than income maintenance) programs of DPSS in a jointly-managed agency. Both could then be associated with the social services programs produced by the Community Services Agency. In the case of the Department of Health Services, the activities of restaurant inspection may be found better associated with the programs of the Agricultural Commissioner, or with Consumer Affairs and Weights and Measures in a Consumer Protection agency. Several of the public works districts of the County Engineer might better be associated with Road and Flood as part of a public works district management function, and concession and airport management with a recreational facilities agency. Clearly, the effort here will concentrate on program analysis for

determination of how to unify the missions and goals of these departments.

No Changes Strategy. We have assigned departments to this group when we have no rationale to support assigning them to another group on technical grounds, or when the politics of suggesting their merger with others or any form of standardization would present insurmountable difficulties to the community for very little return.

Example Structure - Goal Model

The chart on Page 129 illustrates the kind of structure that we envision as emerging from the program we recommend. We do not intend it as detailing the structure that will emerge, or even that should emerge. Too many technical and legal issues must be resolved before predicting the details, particularly since there is no adequate legal theory or system of criteria on which to base decisions to realign programs by dividing the functions of public offices among more than one department. We do intend the chart to show that it is reasonable to envision a County organization with far fewer departments than the current 47, and with programs aligned in more reasonable ways than they are now.

In the chart, we have reduced the seven internal services departments to four: one specializing in facility operations and maintenance, a second specializing in administrative support, a third specializing in technological development and support, and a fourth specializing in financial services. This configuration is based on the principle that the functions of many of these departments can be separated, conceptually and operationally, into service production components and policy components. The policy components are not subject to feasible organizational reform, unless reallocated into the CAO's function through a Charter amendment or Board appointment of the CAO to several policy offices. For example, the audit functions of the Auditor-Controller have a strong policy component, and the procurement functions of the Purchasing Agent are assigned in the Charter. However, these departments also produce services which are purely administrative. The administrative services can be decentralized, centralized, contracted, or operated in any number of flexible configurations. It is those services that we are proposing can be consolidated to beneficial effect, and to which we are referring in the chart as "part" of the internal services departments. During the work on the final design, it may emerge that internal services would better be designed as two agencies with a different underlying configuration of programs.

We have postulated a public works agency in the chart. It would merge the

managements of Road and Flood, all districts they now operate, and the local public works districts now operated by Health and the County Engineer.

In the chart, we have retained the Chief Medical Examiner - Coroner as a separate department. The analysis may reveal that the department's programs would be as well managed, with no conflict, within the Sheriff's function, and the Sheriff may agree to assume them. Alternatively, although we have assigned programs of the Public Administrator to Financial Services in our example, because the functions are primarily those of financial trust management, the analysis may reveal that it would be more effective to assign them with the Medical Examiner-Coroner in a services agency with the mission of working with victims of unexplained death.

Similarly, we have left the Human Relations Commission as an independent entity. Because of its community-organization strengths, it could make significant contributions to the functions of the Community Services Agency.

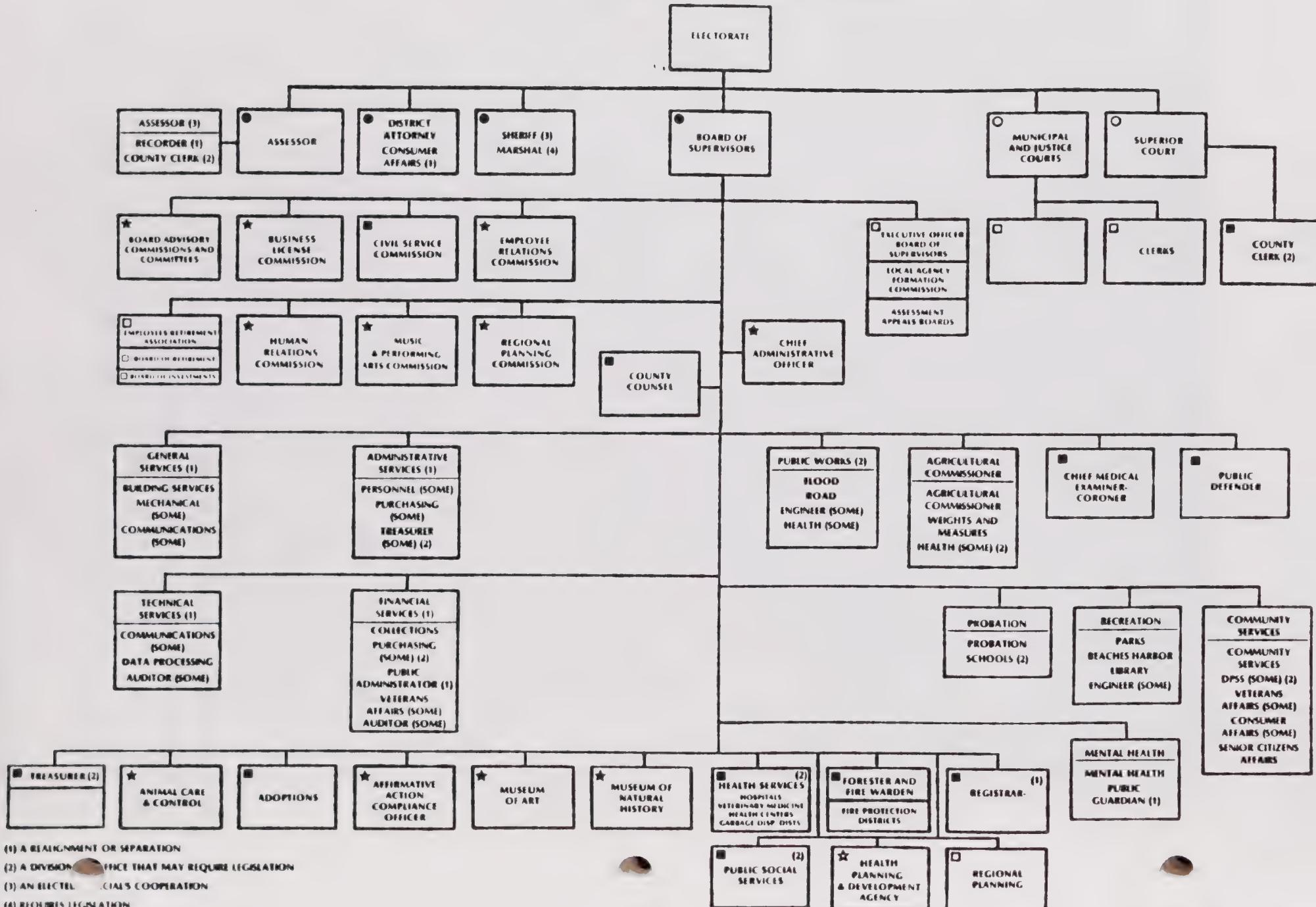
We have included changes of some of the elected officials in the chart. For example, it may be beneficial to merge property records functions of the Recorder with the Assessor. Since Proposition 13, the activities have a strong linkage, and merging their management may produce economies through the use of contracting alternatives. The functions are merged in other counties in California. If the Assessor agrees, it may be possible to merge them without additional legislation.

We have annotated the chart on Page 129 in accordance with our understanding of the current legal situation. A sound reorganization of the County's system will require a legal basis for realigning County programs among departments. That means that it may be necessary to divide offices. For example, we have postulated a division of the functions of the County Clerk into court services, which represent about 90% of the County Clerk's activities, and the County related services. Without such realignments and separations, reorganization will produce little benefit in the County, economic or otherwise. Thus, it is essential to include a legal research element in the implementation plan, and it may be essential to seek legislation that will permit the Board to implement the kind of reorganization we are proposing without seeking specific legislation for each detail.

The chart as presented reduces the number of Board appointees from 47 departments to 24. The full scale analysis we are proposing should reduce them further, to 15 or 20 Board departments.

COUNTY OF LOS ANGELES

EXAMPLE STRUCTURE - FEASIBLE GOAL MODEL



RECOMMENDED IMPLEMENTATION PROCESS

REORGANIZATION PROGRAM
LOS ANGELES COUNTY GOVERNMENT

<u>Year</u>	<u>Objectives</u>	<u>Resulting Structure</u>	<u>CAO Support</u>	<u>Board Action Roles</u>	<u>Department Action</u>
I.	Framework of Common Functions Administration Business/Support	Committee and Agency	Initiate Project Mgmt Initiate Organizational Planning Recommend Incentives Policies Design Internal Services Supply Support Staff	Adopt Plan Agree/Accept CAO Ordinance Implement Agenda control Suspend appointments Adopt Board committees	Finalize Interim Structure Initiate Coordination Standardize Administration Adopt Salary Policy Adopt Inventory Policy
II.	Initiate Cost center Structure Initiate Program Mgmt Decisions	Internal Services Department(s) Committees and Agencies	Implement Internal Services Initiate Program Accounting Implement Forecasting Evaluate Executive Compensation Policy	Revise Incentives Revise contract policy Adopt Cost Accounting Adopt Full funding	Implement Standardized Administrative Business Support Program Accounting
III.	Initiate Program Organization	Community Services Public Works Mental Health	Implement Long Range Plng Design Realignments Support/Enforce Standards Initiate Systems Evaluation Initiate Systems Planning	Formulate Legislation Hold Public Hearings	Develop Consolidation and Reorganization Strategies Implement Program Mgmt
IV.	Complete Reorganization	Reorganization (See Page 9)	Implement Program Mgmt Implement Systems Mgmt	Propose Charter Revision Propose Legislation Abolish Board Committees	Manage New System

Implementation Roles and Actions

Implementing the program we recommend will require the concerted and coordinated action of the Board, the CAO and department heads. As outlined in the reference chart on Page 130, each will have a key role in developing, adopting and supporting the various policies needed for effective implementation. Some investment will also be required. Standardization of administrative systems, for example, will require investment in the development of information systems. Consolidation of management may require relocation of facilities in order to ensure savings, and it is almost certain to require modification of the County's position classification system. We have outlined the steps that will be needed during each phase of implementation. We provide some explanation of each in the paragraphs below.

Phase I

Objective of Phase I. At the end of the first year, the County should have established the overall framework of organization and identified the standardized protocols for administrative and business support functions. To do this, we recommend that the Board adopt the concepts of County organization we have outlined, in the charts on Pages 106, 123, and 129, as the initial step toward comprehensive reorganization of the County system. This step will thus establish and implement a framework for reorganization. The Board would, in this step, specify as a policy goal that the County will be reorganized into a simplified system of 15-20 departments appointed by the Board (excluding elected departments), and that the reorganization would include realignment of programs among departments, rather than mere grouping of departments into larger entities. The Board would specify the initial establishment of agencies and committees as illustrated on Page 123, and it would assign the CAO and the department heads to the responsibility to complete the program.

Board Actions. To avoid creating another layer of bureaucracy between the Board and departments, we suggest that the Board appoint one of the present department heads in each group as chairman of a committee of departments in that group.

To avoid permitting the Board's oversight committee system to complicate progress on identifying standardization efforts, we suggest that the chairman of the Board assign departments to individual Supervisors in accordance with the Agency

groupings. Doing so will have the added advantage of Supervisorial support for committee initiatives, should there be any reluctance to establish the necessary standards.

During this phase, we also recommend that the Board revise the County Code sections establishing the duties of the CAO to conform with current expectations and to clarify the relationships of the CAO and departments. In particular, the new ordinance should eliminate references to functions the CAO does not and should not perform, clarify relationships between the CAO and other department heads, and assign clear responsibility to the CAO for designing and implementing County-wide management systems, managing the budget process, and managing the legislative and agenda processes.

Finally, the Board should establish a discipline on its requests for information and analysis that is independent of the County's present departmental structure. In particular, the new system should provide for coordinating items which are related to one another or to work the Board has requested in the past. Such a system may, for example, ask the Board chairman to act as a clearinghouse for all special items. Alternatively, it may ask the CAO to respond to each special motion within two weeks with a proposed approach to resolving the question and an estimate of the cost. Finally, as early as possible during Phase I, the Board should direct County Counsel to assign a full time lawyer to work with the CAO on the reorganization effort. Counsel would be assigned initially to legal research supporting establishment of a firm legal basis for reorganization, all relevant criteria, and an outline of the potential need for legislation or Charter amendment.

CAO Action. During the first phase, the primary activity of the CAO's office should be to prepare to perform the new kinds of analysis that will be required for developing and controlling the organization. The Management Services Division should conduct audits of departments only on special request, and only in order to address a specific, time-sensitive problem as determined by auditors chosen by the departments. One requirement of each contract audit should be CAO approval to implement the results.

In the Management Services Division, the CAO should create a project management group to develop, propose and implement such County-wide management systems as personnel and payroll, inventory, accounting and the like. The group would establish standards for departmental cost-performance within those systems, and it would implement methods of evaluating the performance of County services and functions on a cost-effectiveness basis.

The organizational planning unit of the division would work with the interdepartmental agencies and committees to define the criteria which would become the basis for comprehensive reorganization of the County system. This group would also develop a County "central file" to accumulate and index all studies, reports, and data bases with an impact on each County service, function or department. The file would include audits, studies, user surveys for data processing, personnel studies, classification studies and financial or budgetary reports. It would encompass all such information over a five year period. Finally, the organizational planning unit would develop the detailed structure of General Services departments configured from Building Services, Collections, Communications, Data Processing, Mechanical, Personnel, and Purchasing and Stores. County Counsel would assign a specialist to work with this group on a full time basis.

The ongoing function of the policy evaluation group of the Division would be to determine how and to what extent Board policies, particularly as interpreted and articulated elsewhere in the CAO's financial, legislative and personnel function, support or impede the development of a streamlined County organization. As a first step, this group would determine the most effective ways to implement early retirement, bonuses, and compensation plans as incentives for departmental support of reorganization.

Department Head Action. In each group of departments, the Board would designate one of a group of department heads as chairman of a committee designated to establish the agencies to be formed from that group. (The groups we designate "Agencies" differ from those we designate "Committees" primarily in the level of confidence we have that we know how to realign the programs and establish standards for administration.) The designated department head would have the responsibility to work with the CAO to define commonalities in the administrative systems of each department.

Each committee would focus on developing the most effective reorganization of programs into fewer departments, rather than on studying whether it should be done. Each would also focus in particular on methods of integrating and standardizing personnel and payroll, data processing support, inventory management policy, accounting, clerical support and transportation. In addition, the committee would be responsible for identifying programs which should be transferred between departments within the group and programs which should be transferred between the group of departments and other groups. Finally, the committee would be responsible for specifying any classification, relocation, or other investment decisions that

would be needed to implement.

Phase II

Objective of Phase II. During the second year, the County should implement the creation of General Services Department(s) and initiate regrouping of all Board-directed functions and services into new agencies. This phase will thus establish the basis for a County-wide program management/matrix form of organization.

Board Action. The primary actions required of the Board during Phase II, in addition to creating the new internal service department(s) are to establish comprehensive financial incentives strategy, revise the contracting ordinance, for all contracts affecting internal County services, and implement cost and program accounting County-wide.

By a financial incentives strategy we mean an explicit policy incorporating the following:

- a fixed proportion of savings in each function or service remains in the budgetary base allocated to that function or service,
- bonuses are awarded only to those managing consolidated functions and services meeting performance standards promulgated by the CAO,
- jobs are classified and compensated in independent departments according to norms which take the advantages of reorganization into account.

By suggesting the revision of the contracting ordinance, we mean to propose that each function or service which demands work from a department providing internal services will also finance that work, at full cost, excluding non-allocable County-wide overhead. In addition, the department demanding and financing the work will have the choice of obtaining it from the internal services department, an outside contractor, or some other government.

It is unreasonable to change the decision basis for contracting to programs and functions without the support of well-founded financial information, particularly cost-accounting. Therefore, we are proposing that the Board invest in implementing a cost accounting system for County-wide use in all agencies and departments, starting with the internal services departments. For that reason, the Data Processing Department is a key element in the initial structure for internal services.

CAO Action. During Phase II, the CAO will be prepared to fully support implementation of the internal services department(s) designed in Phase I. In addition, the CAO should orient the policy evaluation group in Management Services to strategic forecasting functions. The function of this group would be to acquire and analyze the information needed to forecast the alternative social, political and economic environments likely to affect County operations over five and ten year planning horizons as well as the information describing the programs and functions of each department.

Department Head Actions. During Phase II, the departments in each group should implement the standard systems they have devised for administering their programs and functions. We also anticipate that departmental and program managers will be responding to the new incentives program during Phase II.

Phase III

Objective of Phase III. By the end of the third year of the program, the County should have initiated reassignment of functions and services among departments and groups of departments. That is, the realignment of programs among departments should be well under way, and systems evaluation should be well established in the CAO's office.

Board Actions. During this phase at the latest, the need will be known for enabling legislation to permit the transfer of programs among departments and districts. Thus, where necessary the Board should seek such legislation. In addition, during this phase the Board would conduct public hearings if required by law, or designate a hearing body.

CAO Actions. Having implemented program and cost accounting, and having established a long-range forecasting capability, the CAO will be in a position to implement effective long-range planning and budgeting systems for the County as a whole.

Department Actions. Department heads will choose their final consolidation and reorganization strategies with the support of the CAO. Each function and service will be practicing program management.

Phase IV

Objective of Phase IV. At the end of the fourth year of implementation, the County will have adopted the full reorganization plan. Thus, the result of this phase is to complete the reorganization of the County system into 20 or fewer

departments.

Board Action. To complete the reorganization, the Board may need to propose charter amendments or new legislation.

The Board should, by this time, have abolished its committee system for departmental oversight.

CAO Action. The CAO will have implemented a corporate systems management and planning function during this phase.

Realization of this program will require initiating a process of continuing organizational and systems planning for County operations, located in the CAO's office, and using the resources that have been built up in the Management Services Division. The comprehensive reorganization that is needed cannot be accomplished in a single vote at some Tuesday meeting of the Board of Supervisors, and it will not be accomplished in the absence of early adoption, by the Board, of a concept of organization that will serve as the model for all subsequent organizational change. Thus, successful implementation will require discipline, rather than the traditional Tuesday-to-Tuesday approach of evaluating single alternatives or specific proposals. Instead, each proposal, as it surfaces, should be assigned to the CAO for evaluation within the context of the overall plan.

Nor can the organization, once designed and adopted, be permitted to simply evolve from this point on. Future boards of supervisors and CAOs will inherit it; as needs change, they too should have the ability to plan for and implement change. Therefore, the planning and forecasting functions of the CAO supporting the reorganization effort should be institutionalized, as part of the ordinance functions assigned to the office.

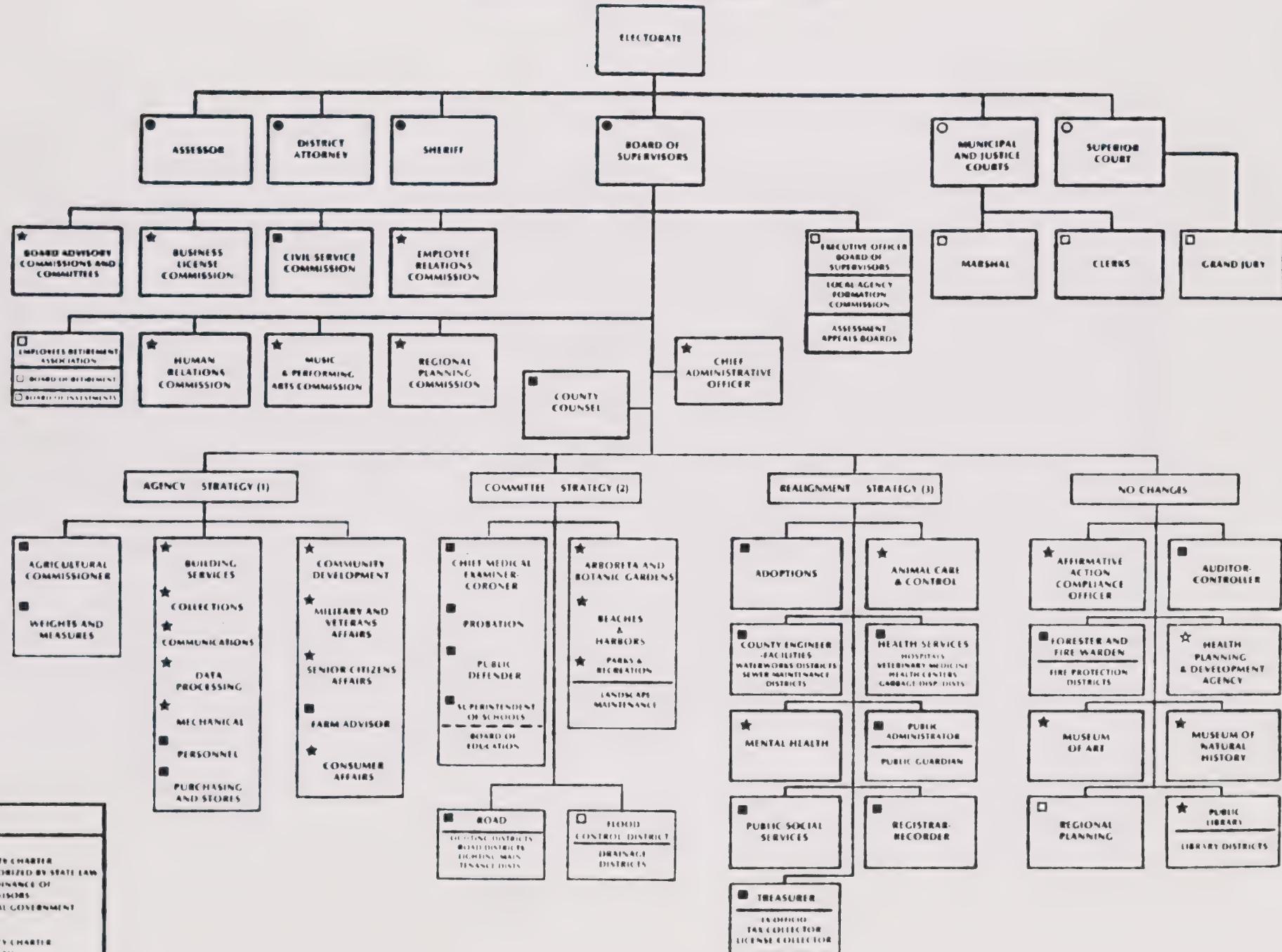
DECISION MAKING AND ORGANIZATION
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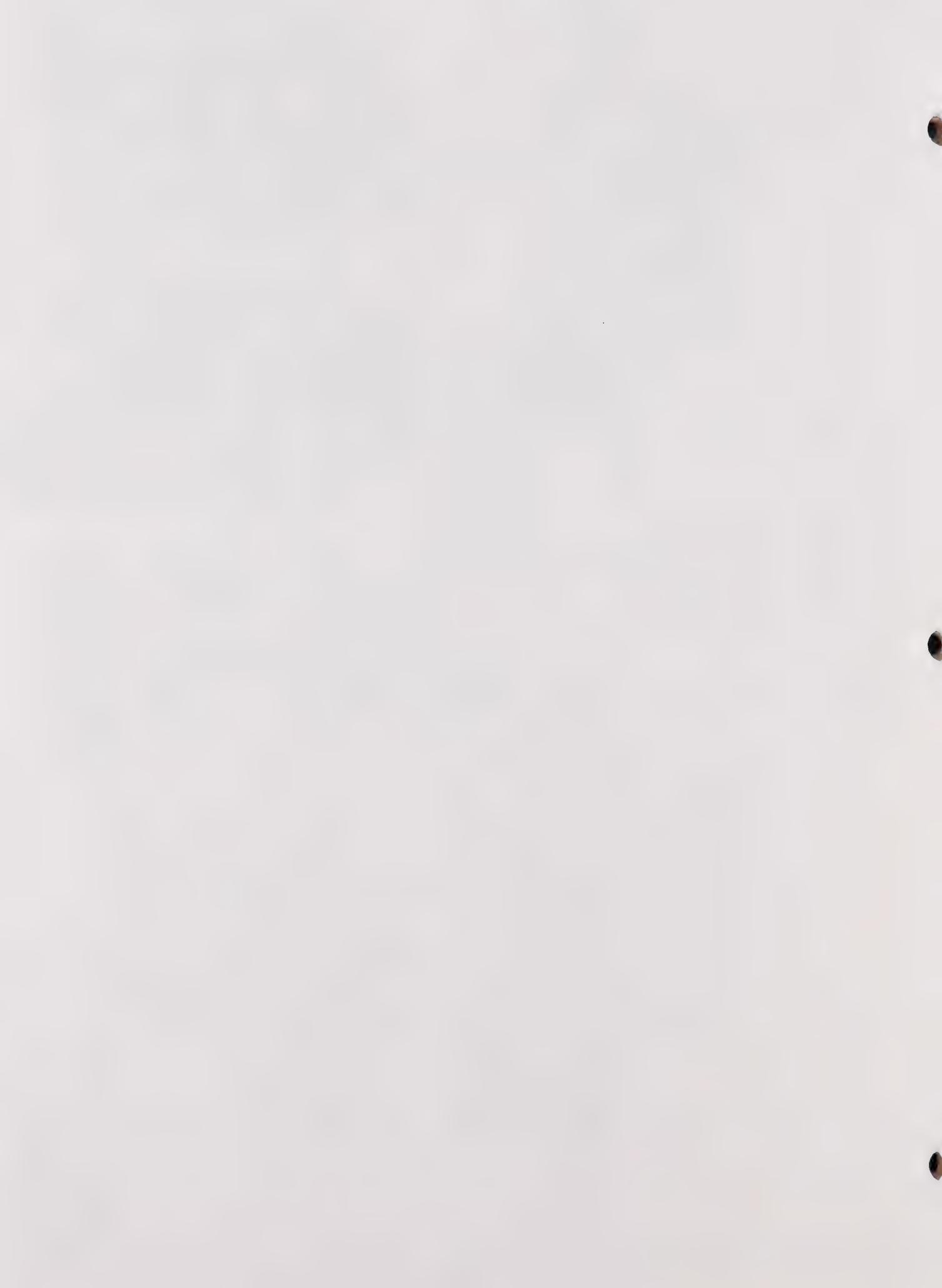
REPORT OF THE TASK FORCE
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JUNE, 1983

APPENDIX I
SUGGESTED INITIAL COMMITTEE OR AGENCY STRUCTURE

COUNTY OF LOS ANGELES

PROPOSED STRUCTURE AND PROGRAMS – INTERIM





DECISION MAKING AND ORGANIZATION
LOS ANGELES COUNTY GOVERNMENT

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APPENDIX II
SUGGESTED FEASIBLE ORGANIZATIONAL GOAL

APPENDIX II
SUGGESTED FEASIBLE ORGANIZATIONAL GOAL
Los Angeles County
Organizational Plan

Proposal - 1983

This proposal does not depend on "grouping like departments". Instead, it depends on separating unlike functions and grouping like functions. That is, the "departments" as they now exist would no longer exist, except that they might remain as budget units for State accounting purposes.

New Agency

Assessor

District Attorney

Sheriff

General Services

Technical Services

Administrative Services

Existing Functions / Department

Assessor

Recorder (from Registrar / Recorder)
County Clerk (public services)

District Attorney

Legal Advocacy (from Consumer Affairs)

Sheriff

Marshal (would require legislation)

Building Services
Parking (from Mechanical)
Security (from Mechanical)
Telephone (from Communications)
Printing (from Purchasing)
Landscape Maintenance (from Parks)

Communications Engineering
(from Communications)
Operations and Maintenance
(from Communications and Mechanical)
Business Machine Maintenance
(from Mechanical)
Production Facilities
(from Data Processing)
Programming
(from Data Processing)

Personnel Services (from Personnel)
Claims and Payroll (from Auditor - Controller)
Warehousing (from Purchasing)
Retirement Administration (from Treasurer)
Facilities Programming / Management
(from County Engineer)

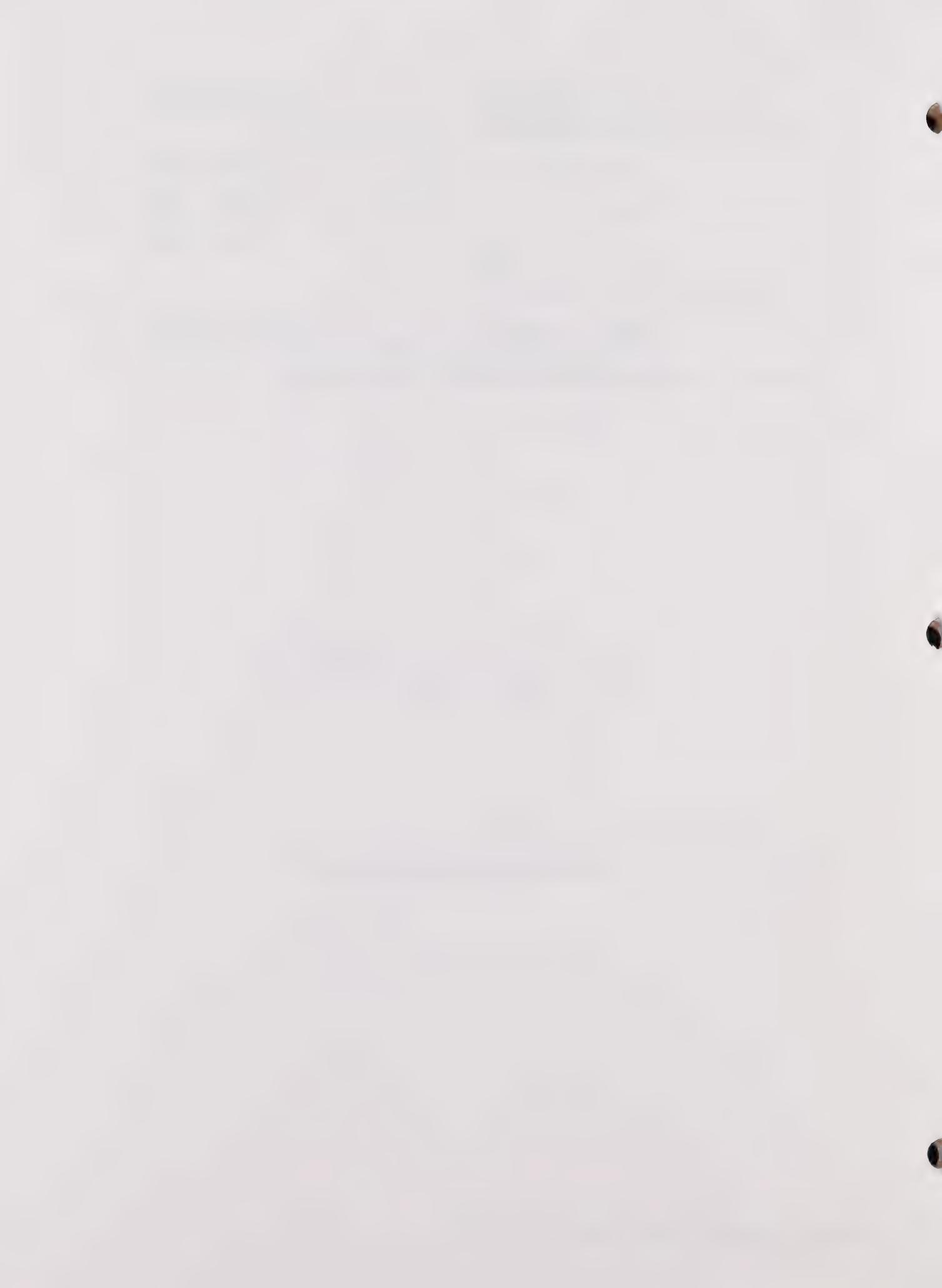
Chief Administrative Office	Audit (from Auditor - Controller) Systems Planning / Development (from Data Processing) Chief Administrative Office Classification / Comp / Employee Relations (from Personnel) Systems Coordinator - Courts and Justice
Financial Services	Collections Tax Collector Public Administrator (from Public Administrator / Guardian) Veterans Burials (from Military and Veterans Affairs)
Treasurer	Treasurer
Agricultural Commissioner	Agricultural Commissioner Weights and Measures Restaurant / Other Inspection (from Health) Farm Advisor
Regulation	County Engineer
County Counsel	County Counsel
County Clerk	County Clerk (court services)
Community Services	Community Services Social Services (from DPSS) Information Services (from Consumer Affairs) Military and Veterans Affairs Senior Citizens Affairs
Mental Health	Mental Health Public Guardian (from Public Administrator / Guardian)
Recreational Facilities	Parks (from Parks and Recreation) Beaches (excluding lifeguards) Arboreta and Botanic Gardens Libraries Airports (from County Engineer)
Recreational and Safety Services	Recreation (from Parks and Rec) Lifeguards (from Beaches) Harbor Patrol (from Small Craft Harbors)
Auditor	Auditor-Controller

Fire Department	Fire Department Paramedics (from Fire Department)
Public Defender	Public Defender
Regional Planning	Regional Planning
Public Works	Road Flood Waterworks (from County Engineer)
Registrar of Voters	Registrar of Voters
Probation	Probation Schools (Superintendent of Schools)

DECISION MAKING AND ORGANIZATION
LOS ANGELES COUNTY GOVERNMENT

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APPENDIX III
OUTLINE MODEL ORDINANCE



APPENDIX III
OUTLINE MODEL ORDINANCE
Chief Administrative Officer

1. General. The following is an outline of suggested revision to the County Code, sections 2.08.010 et seq to more precisely define the functions for which the Board holds the CAO accountable. In some cases, we are suggesting repeal of Code provisions. In those cases, in our judgment, the CAO does not now and should not perform the function specified in the Code. The outline incorporates new provisions which would identify both functions the CAO now performs which are not now mentioned in the Code, and additional functions which we believe the CAO should perform, through the Management Services Division, which are not now performed by County staff. The most significant of the functions now performed which are not mentioned are the legislative. The Management Services functions would change principally in emphasis. In the case of the CAO's role in budgeting, we suggest that the Code be modernized to provide for a higher level of control than it now does. Thus, the outline contains provisions which would replace some of the detailed control items left over from the 1930's and 1940's. We have also incorporated language which would more precisely establish an appropriate, and non-contradictory relationship between the CAO and departments. Finally, where we do not mention a Code provision or a function, our intent in the omission is that they would remain as presently understood.

In supplying this information, the task force intends only to suggest, in outline form, the kinds of provisions that would improve the understanding, by the Board, public, and County officials, of what the CAO's role is, and how it is expected to operate. We do not intend to supply a rewritten Code. That should be assigned, by the Board, to County Counsel. Nor do we intend to supply a complete itemization of recommended provisions. The best approach to establishing that itemization will be through collaboration of the incumbent CAO and the incumbent Board. The outline, therefore, represents our findings on current function and suggested functions, but it does not represent a complete commission recommendation for Code revision. Our task force did not review the details with County Counsel.

Most important, we emphasize that changes of the Code, even minor ones, make no sense in the absence of 1) reorganization of the County system, and

2) standardization of business and administrative systems in the departments. That is, the Board and CAO should not act on revising the Code until the reorganization plan is well under way and the commitment to investment in standardization well established.

Item 2. Repeal the following sections of the Code:

Records Management. (Section 2.08.070) If the County has a records management program, the CAO does not manage it. Records management does not belong in the CAO. It is a ministerial function, and does not belong at the Corporate level. It could more properly be performed by an information services department, such as the Library or the Clerk of the Board, with assistance from the Data Processing Department. The Board may wish the CAO to establish standards for records management, or to recommend an assignment of the function to a specific department, or to monitor the performance of all departments in records management from time to time. The function, however, does not belong in the CAO's office.

Estimates of Expenditures. (Section 2.08.090) It is unnecessary to define the financial role at this level of detail. As chief financial officer for the Board, the CAO should have the authority to decide from time to time what kinds of financial data are required, when, and in what form, provided only that statutory requirements are met.

Supervision of Expenditures. (Section 2.08.100) This provision is a source of decreased department head accountability and a major source of unnecessary ministerial workload for the CAO. Once the budget is established and the Board has appropriated funds for each County function, department heads should be accountable for managing the programs in their charge within gross and net appropriations. Line item control is a function of the Auditor-Controller.

In its current implementation, this function is also a source of friction among the County departments and between each department and the CAO. It introduces an adversary element into the system which is counterproductive. Departments spend energy and resources on justifying expenditures within appropriations the Board has already allocated. The CAO spends energy and resources on validating those proposed expenditures or on demonstrating that the County's revenue base won't support them. The entire system diffuses accountability for both operations and costs: department heads complain that they cannot accomplish necessary program operations or changes because the CAO won't supply the necessary approvals; the CAO complains that department heads are merely trying to beat the system.

The CAO should limit any exercise of this low level of control to monitoring performance against gross and net appropriations, reporting variances to the Board, and recommending adjustments of the budget as the need arises. The CAO may wish to recommend that the Board establish stronger controls for specific departments as a temporary measure from time to time.

Recommendations on the Abolition or Creation of Positions. (Section 2.08.110) This is a detail in an organizational planning function. It is consistent with appropriate functions for the CAO and Director of Personnel, but it is so

narrowly defined that its application, like control of line item expenditures, erodes the accountability of County managers. If there is a legal requirement for the activity defined here, it should refer to the CAO's responsibility to manage assembly of a recommended budget and development of the County's job classification system.

Authority to Call for Assistance. (Section 2.08.120) If the CAO has occasion to call for assistance from County managers or department heads, and does not receive timely and appropriate assistance, then that is cause for recommending disciplinary action to the Board. A code section at this level is unnecessary. It has the effect of too narrowly defining the CAO's authority to direct department heads in matters that should not need the institutional authority of a Code provision.

Repair and Maintenance of Quarters. (Section 2.08.130) This is supposed to be the function of the County's Mechanical Department.

Item 3. Revise sections of the Code as follows:

Revise Sections 2.08.050 (**Administrative Supervision and Control**), 2.08.060 (**Coordination of Departmental Administration**), and 2.08.080 (**Data Processing Coordination**) to provide that the Chief Administrative Officer shall perform the following functions on behalf of the Board of Supervisors:

Comment. The list of functions below is intended to clarify exactly how the CAO can be termed "manager of the County as a whole". The CAO and the classical reform analysis has always focused on the appointment power as central to the effectiveness of the CAO - and of central or corporate management of the County system. The task force believes that the appointment power is not the major issue. The major issue is the kind of central staff assistance the Board needs to improve its performance in managing the County system. The Board also has the obligation, if kind of system we envision is to improve effectiveness, to discipline its use of the CAO as chief staff officer by agreeing on and enforcing methods of controlling CAO workload and schedules. Department heads will also have major obligations and responsibilities, to supply complete and detailed information on operations and costs to the CAO. The objective of redefining the CAO's functions in these terms is to improve the County system's performance according to the criteria the task force has chosen to define County problems and to evaluate performance.

The functions we suggest including in the new sections are:

- direct, supervise and control all departments, services, institutions and districts of the county for whose operations the Board is accountable to the electorate or to the State of California.

- act as chief financial officer for the County as a whole.
- act as chief of staff for the Board on County wide matters.
- act as chief legislative analyst for the County as a whole.
- act as chief officer and negotiator for intergovernmental relations for the County as a whole.

A. In the role of directing, supervising and controlling County departments, the Chief Administrative Officer would assist the Board in

- implementing management system improvements in each department and in the County as a whole,
- reporting annually to the Board on the accomplishments of departmental management and on management system improvements,
- coordinating the management of departments, the development of managerial policy, and the implementation of inter-departmental management systems,
- establishing standards for the performance of County functions and compliance with county-wide systems,

B. In the role of chief financial officer for the County, the CAO (with the concurrence of the Assessor, the Auditor-Controller, and Treasurer) shall assist the Board in

- establishing County-wide financial policy,
- preparing and adopting a County wide budget in accordance with State law,
- preparing and distributing summary systems, program and "plain-english" budgets as determined useful for analysis and for public information by the CAO,
- controlling County-wide expenditures to gross and net appropriations,
- revising budgets and appropriations as needed,
- requiring County departments to supply budget and financial information of kinds and at times specified by the CAO,
- reporting to the Board on the status of County

finances at least semi-annually, including the financial performance of County departments.

- recommending collective bargaining and employee relations strategies and positions to the Board.

C. In the role of chief of staff for the Board, the CAO shall assist the Board by

- planning and controlling County organization, including the number and functions of departments, the classification of work, the addition or deletion of positions, and the transfer of functions among departments,
- developing annual three year forecasts, quantified within available "best estimate" data, of demand for county services, workload of County functions, revenues by source, and expenditures,
- evaluating the performance of County programs, systems, and services,
- auditing the quality and performance of departmental and County-wide management systems,
- providing reports and evaluations to the Board on request; however, each reporting project shall be preceded by an estimate of the time and cost required for a response and each report shall contain a statement of the costs of preparing it,
- establishing, planning, and implementing techniques for County-wide management improvement, including the training of County managers in the proper application of those improvements to control costs and improve productivity.

D. In the role of chief legislative analyst, the CAO shall assist the Board in

- developing a legislative program for the County and establishing priorities for effort on promoting each item,
- approving County positions on bills with potential impact on County finances or operations,
- controlling departmental and employee activity affecting the consideration of legislation in Sacramento and Washington,

- promoting and negotiating the legislative program and positions,
- reporting to the Board on the progress of legislation in which the County has an interest and on the activities of departments and employees as they may affect that legislation.

Item 4. Revise the following sections of the Code to clarify the authority of the CAO and the CAO's relationship to department heads.

Revise Section 2.08.140 (Powers of County Officers not Divested) to reflect the intention to make the CAO accountable for County-wide systems and management issues, while leaving the statutory program responsibilities of County officers intact.

Comment. While earlier sections of the Code (2.08.050 and 2.08.060) conferring powers on the CAO appear to give the CAO authority, to direct and control departmental activities, this section appears to remove it. If the intent is to state the County's policy that the authority of the CAO does not violate the laws of California or the United States, or the County Charter of Los Angeles County, as interpreted by the Courts, then the Code should so state. The current language is overly restrictive.

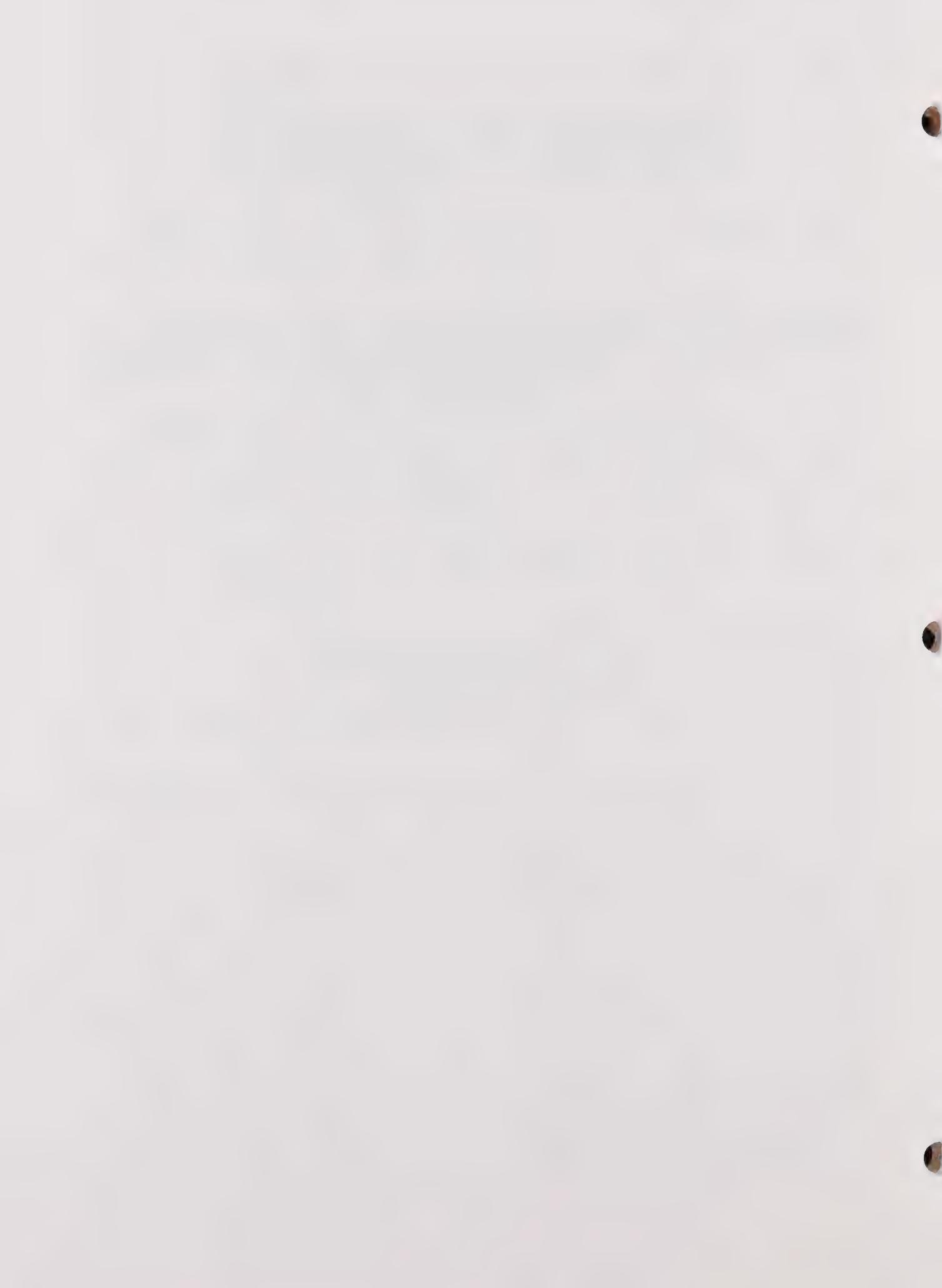
The presence of this section, within the interpretations that have been made from time to time by County Counsel and department heads, is one of the reasons that the CAO can consistently disclaim any responsibility for the effectiveness of County operations and County management systems. It appears to mean that the CAO cannot direct a public officer on what to do, establish standards of performance, or evaluate performance - period. We maintain that there is a difference between telling the Public Health Officer, for example, how to prevent measles epidemics and telling the Public Health Officer that he or she must comply with standards for managing resources allocated to the prevention of measles epidemics, particularly resources used in the business and administrative support of the function in such areas as payroll, personnel, logistics, inventory management, procurement, and the like. (It is true that the application of general management ideas and standards should be tempered with the realities of the special performance characteristics of each service -- the point is, that does not mean that they do not exist or cannot be developed.)

The CAO is the primary repository in the County for knowledge of County operations and for management skills. We are suggesting that the CAO emphasize the development and implementation of County-wide management systems, in addition to the budget, and that the Board give the CAO sufficient authority to implement the systems and enforce the standards.

DECISION MAKING AND ORGANIZATION
LOS ANGELES COUNTY GOVERNMENT

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JUNE, 1983

APPENDIX IV
MODELS OF AGENCY ORGANIZATION



MODELS OF AGENCY ORGANIZATION

HISTORY OF CONSOLIDATION - LOS ANGELES

The record in Los Angeles County has been to avoid any deliberate, long range plan of organization. Instead, the County has used the strategy of reorganizing individual units on an ad hoc basis, when the need or the opportunity presented itself. With the exception of the creation of the Health Services Department, the primary objective of consolidation efforts has been to solve problems — either to reduce the effects of the civil service rules or to concentrate power over a priority program — rather than to configure an organization designed to meet specific policy objectives.

The County frequently accomplishes various forms of "functional consolidation," which shifts control over one program or one type of labor to a centralized department. Most recently, for example, custodial functions located in the Department of Health Services were shifted to the Building Services Department. The objective of this kind of move is usually operational efficiency. Sometimes that includes a reduction of budgeted positions.

Although the record of actual departmental consolidation is haphazard, the Board of Supervisors has at least once established a function with the explicit purpose of developing an organizational plan with fewer departments. In addition, several Supervisors, notably Supervisors Hahn and Hayes, have proposed specific plans. The function, operating in the CAO's office in the early 1970's, was abandoned by 1974. None of the Supervisors' proposals has been implemented, and no information is available on any serious efforts to implement them.

We have two purposes in reviewing the recent history of County reorganization efforts. First, the review of past failures will enable us to determine the major obstacles to establishing a consolidation plan and to implementing it so that it meets the objectives for which it is designed. Second, the review will enable us to identify the steps necessary to avoid failure in any plan that the Board adopts.

Each of the following paragraphs contains a brief description of departmental consolidations effected since 1970, the circumstances that led to them, the stated reasons, and the current status.

Department of Health Services. The development of Medicare, the establishment of mobile paramedic and emergency care, and the recognition of community-based mental health care in the late 1960's led to enormous growth of health care functions. Medical and hospital professionals called for increased

integration of health programs, and administrative experts called for increased centralization of administration for efficiency.

After splitting the Department of Hospitals from the income maintenance and social service functions of the Department of Charities, by Charter amendment, the County formed a committee headed by the Director of Hospitals. That committee proposed the merger of Hospitals, Mental Health, Public Health, and County Veterinarian Departments into the Department of Health Services. The rationale for including the Veterinarian was the department's medical research functions. The Board took the recommended action in 1971.

By 1974, conflicts between mental health and hospital professionals created enough pressure to cause the Board to split the Mental Health Department off into a separate department. In addition, since the growth of Health functions continued unabated, no one could demonstrate how much improvement, if any, could be attributed to the merger, so several Board members - Supervisors Ward and Hahn in particular - began to oppose consolidation as a means of improving efficiency. Although no one has so far demonstrated a dependence between size and inefficiency, the tendency at present is to blame the Department's problems on its size (\$1 billion in revenues and 25,000 employees - certainly a size that can be managed). Some current thinking in the County is that the Public Health functions should be removed from the Department and established as a separate department reporting to the Board of Supervisors.

Some analysts believe that the major reason for the failure of this consolidation to stick should be attributed to poor initial implementation planning. Others believe that the dominance of the hospital/medical models of treatment will never be acceptable to mental health or public health professionals. In any case, it is clear from the County's experience with this effort that reorganization of departments is in no sense a sufficient condition for improvement on operational or budgetary grounds.

Department of Facilities /County Engineer. The late 1960's and early 70's was a period of rapid expansion for County services. That expansion was accompanied by massive building programs, explicitly adopted by Boards of Supervisors to upgrade housing for employees and to "bring services to the people". Several of the building programs went sour, and a consolidation effort was born. Studies by the CAO and the Economy and Efficiency Commission, for hundreds of thousands of dollars, concluded that the five or so departments with a major role in the capital improvements program should be consolidated into a single department of Facilities responsible to the Board.

In particular, the consensus of all the analysis was that the function of managing the building programs themselves did not belong in the Department of the County Engineer, since the primary responsibility of the County Engineer is building regulation. On the other hand, the other building related functions - Mechanical, Building Services, Architectural Selection - remained in separate departments. The reasoning was that they could be merged later - that one step at a time would be the most feasible strategy.

The Board created the Department in 1973 and appointed the first Director in 1974. In 1977, following the retirement of the County Engineer, the Board, on recommendation by the CAO, merged the Department of Facilities into the County Engineer. At present, the County manages facility acquisition functions (including

building and leasing) through the Department of the County Engineer /Facilities. The County has also re-created a capital improvements planning program in the CAO.

Department of Community Development. The Board created this Department after the failure of the effort to create a "Human Services Agency" which would have merged all departments performing social service and community action programs. The new department merged the Departments of Urban Affairs and Community Services and Manpower programs from the Department of Personnel (CETA programs). Even that merger was highly controversial. The essential point was to consolidate administration of programs created for the purpose of managing Federal and State grants for which the County is primarily a pass-through agency. The new department head retained essentially the same organization, concentrating savings in the administrative functions. His strategy was to postpone integration and internal reorganization until the principals of the merged departments have retired or moved to other positions. This department is still operating as designed.

Human Services Agency. The Board of Supervisors adopted a goal of reorganizing the County into ten or twelve agencies in the early 1970's. The Chief Administrative Officer established a Division to create the plan of organization and work out the details of implementation.

The Division developed a general plan. However, the major focus of the effort was to merge all departments engaged in human services into a single agency. The departments included such small organizations as the Public Administrator - Public Guardian, large organizations as the Probations Department, and giants as the Department of Public Social Services. The analysts conducted a detailed program review to determine comparability of the activities and functions. They formed a Steering Committee of affected Department Heads, and obtained their written consent to the plan. They held public hearings to receive the testimony of interest groups, department constituencies, and affected people.

The beginning of the defeat of this plan was the objection of some judges to the inclusion of Probation. They contended that the plan would disrupt the relationship that Probation Officers must have to the Courts. Although the judges eventually withdrew their objections, the damage was done. The Probation Union lobbied actively against the plan. Constituent groups and interest groups were recruited by the other departments to lobby against the plan. It was rejected by the Board.

Some technicians now argue that the plan was wrong. The Agency would have been too large. Some contend that it was developed solely to accomodate the wishes of a single individual, who was to become the Director.

Consumer Affairs Department / Community Services Agency. In July, 1982, the Director of the Department of Community Development proposed creation of an agency by merging the administrative and support functions of the Departments of Consumer Affairs, Military and Veterans Affairs, and Senior Citizens into the Department of Community Development. Each of those departments is quite small - Consumer Affairs and Military and Veteran Affairs have fewer than 25 budgeted positions, and Senior Citizens has about 80 positions, of which 20 are part time. All of the departments use volunteer labor extensively. This proposal would have created a "weak" Agency, that is a group of departments with one coordinating head and shared resources but no direct control over appointments or operations.

According to the proposal, the savings in administrative effort - i.e. accounting, personnel, payroll, and the like - would have been \$640,000. The idea was a genuine application of economies of scale. The Department of Community Development, with over 200 positions, is in a position to absorb the work involved in administration and support services for the smaller departments. More important, the Department head of Community Development (now named Community Services) was willing to commit to the savings. The Board of Supervisors referred this proposal to the Chief Administrative Office. The CAO reported that the consolidation was not feasible and could not be guaranteed to result in savings. The proposal was not approved.

Subsequently, the Board asked the CAO to analyze the feasibility of consolidating Consumer Affairs into the District Attorney (because of its role in referring consumer cases for prosecution) and into the Library (because of its role in supplying information and referral to consumers). The CAO recommended consolidation into the District Attorney and predicted potential savings of \$228,000. Consumer interest lobbies vigorously opposed the proposal, primarily because of the District Attorney's presumed jurisdictional conflict in referring cases to other prosecutors. The Board rejected the proposal under considerable pressure from the interest groups involved. Although the primary focus of the Department's efforts is information and referral, no one appeared to take the idea of merger with the Library seriously. No one proposed dividing the functions - legal to the prosecutor, information and referral to the library.

Beaches and Harbors. In December, 1982, the Board successfully merged the Department of Beaches and the Department of Small Craft Harbors (Marina). The primary point of the merger was apparently to improve Board control over the services provided by the Beaches Department, rather than to obtain direct savings through scale or sharing of resources. The controversy was over the level of lifeguard services to be supplied during the off-season. The consolidation has been successful. Analysts report that management processes have been improved, some savings realized in administration, and some synergistic effects achieved through association of the common missions of the two departments.

Public Information. In 1972, the Board successfully merged all public relations and public information services from County departments into a Division of the Chief Administrative Office. The idea was to improve Board control over policy affecting the function and to obtain economies through centralization of resources. The merger was successful for a while. However, it has recently eroded, as other departments have begun to re-establish their own public information offices. Moreover, entire new departments - such as Consumer Affairs - are dedicated basically to public information activities.

Marshal and Sheriff-Court Services. Bailiff and Civil Process services are provided by the Sheriff for the Superior Court and by the Marshal for the Municipal Courts. Merging them has been proposed by Grand Juries, the CAO, and the Economy and Efficiency Commission since 1943. The debate still rages - not over the merits of the proposed merger, which everyone agrees would improve efficiency and save money, but over who - Sheriff or Marshal - should have jurisdiction over the new agency. In the absence of any local agreement, the Legislature has not acted. At last count, a merger would save \$5 million.

CONCLUSIONS:HISTORY OF CONSOLIDATION

1. Consolidation of County Departments - whether by creation of an Agency or by merger - is generally feasible. All that is required is a decision and order by the Board of Supervisors.

2. Legal obstacles are decisive less frequently than presumed. When they exist, they can be overcome.

3. Political obstacles and power issues are far more significant than economic realities. Consolidation has occurred in those instances where a) it was demonstrably in the interests of the constituencies and special interests affected, b) the Board had a major crisis or management issue to resolve, or c) the Board had a strong incentive to strengthen control over the functions and services involved.

4. The criteria governing consolidation, when any are applied, have had less to do with organizational efficiency or economy or even with the non-quantitative assumptions of management about 'good' organization than with the political components of public administration decisions.

5. Implementation planning is crucial. The plans must be achievable and must take into account such factors as the compatibility of style as well as of function (e.g. Health Services, medical vs. psychological), geographical concentration as well as commonality of constituency (e.g. Harbors and Beaches), program as well as activity. The plan must focus on integration of the services first, rather than organization of existing units (Health Services).

6. Adoption and ordered implementation is not enough. Implementation must be centrally evaluated, continuously monitored, and alertly tracked. The forces that oppose consolidation do not go away once the Board adopts a plan. They may continue to subvert its success, either actively or passively.

PLANNED ORGANIZATIONAL PROGRAMS - LOS ANGELES

In Los Angeles County, the idea of grouping departments into agencies has been proposed several times, notably by Supervisors Hahn and Hayes. In the early 1970's, the CAO had a division designed to implement an Agency structure. Agency organization has also been implemented in several counties in California, in a few different forms. Finally, the State government has an agency type structure. There are, therefore, many different models of agency organization.

In reviewing the models, it is important to keep in mind that the words "Agency Concept" have two distinct meanings in the County context. First, it can refer to the "Agency Structure" - an ultimate organizational design, in which departments are grouped according to some logic of similarity of function.

Second, and much different, it can refer to what we call in this report the

"Agency Strategy" - an interim organizational stage, in which the ultimate goal is a reorganized departmental program structure. The idea of the Agency strategy is to gain some of the economies and improved coordination of consolidation early, without going through the stress of merging and separating functions which now have entrenched leadership and vocal constituencies.

Several of the counties which implemented agencies during the 1970's have now dismantled them. Moreover, the "Agencies" created in Los Angeles have a spotty record at best - note the problems of the Health Services Department, for example. The deficiencies of the Agency Structure, as it is usually conceived, are:

It adds a layer of bureaucracy to an already top-heavy structure — this does not necessarily simplify things, and any savings will depend on the ability of the Agency Administrator to persuade department heads to implement.

It removes a level of operations from political "hands on" control.

The departments that are grouped contain "like functions" in only a limited sense -- the real problem is that the departments are poorly designed as they are now configured.

In San Diego County, the "Agencies" (which were located in the CAO's office) have been dismantled. However, during the period they were in place, the objectives were met of integrating functions and of moving functions to more appropriate departments. That is, the Agencies worked as a consolidation strategy. In Orange County, the Agencies remain — but they are not the same ones as were originally designed. (They are independent of the CAO's office, but the CAO has considerable control over management appointments.)

What is really needed is a program of concerted effort to regroup functions of the departments over time. To the extent that an "Agency Concept" is viewed as furthering this aim — and expediting progress toward privatization goals and productivity improvement through standardization of administrative functions — it makes sense. It makes little sense as an organizational structure, with the permanence it is likely to assume because of the way the incentives work to perpetuate bureaucratic structures in government.

The following pages contain descriptions of Agency models proposed for Los Angeles.

Organizational Plan

Proposed in 1976

This plan was to be accompanied by the following:

- a master organizational plan
- productivity improvement programs
- capital project planning
- program budgets and management by objectives
- multi-year fiscal planning

New Department / Agency

Assessor

Auditor Controller

Chief Administrative Office

Chief Medical Examiner - Coroner

Clerk - Recorder

Consumer Protection

County Counsel

Courts

Cultural Affairs

Existing Department

Assessor

Auditor Controller

Chief Administrative Office
Personnel
Data Processing
Purchasing and Stores

Chief Medical Examiner -
Coroner

Registrar - Recorder
County Clerk

Environmental Sanitation (from
Health)
Out of Home Care Licensing
(from Health and DPSS)
Consumer Affairs
Agricultural Commissioner
Animal Control
Farm Advisor
Public - Administrator /
Guardian
Weights and Measures

County Counsel

Superior Court
Municipal Courts

Museum of Natural History
Museum of Art
Public Library

<u>New Department / Agency</u>	<u>Existing Department</u>
District Attorney	District Attorney
Fire Department	Fire Department
General Services	Building Services Communications Facilities Mechanical
Health Services	Health Services
Parks and Beaches	Airports (from Engineer) Arboreta and Botanic Gardens Beaches Parks and Recreation Small Craft Harbors
Probation	Probation
Public Defender	Public Defender
Public Works	County Engineer Flood Control Road
Regional Planning	Community Services Regional Planning
Sheriff	Marshal Sheriff (legislation required)
Social Services	Adoptions Human Relations Commission Military and Veterans Affairs Public Social Services Senior Citizens Affairs
Treasurer - Tax Collector	Business License Commission Collections Treasurer - Tax Collector

Organizational Plan

Proposed in 1974

New Department / Agency

General Services

Administrative Services

Legal Services

Health Services

Community and Social Services

Consumer and Environmental Services

Justice and Public Safety

Existing Department

Auditor - Controller
County Clerk (public services)
Registrar - Recorder
Treasurer - Tax Collector

Building Services
Civil Service Commission
Communications
Employee Relations Commission
Personnel
Mechanical
Purchasing and Stores

Adoptions
County Counsel
Public Administrator
Public Defender
Public Guardian

Health Services

Community Services
Human Relations Commission
Public Social Services
Military and Veterans Affairs
Senior Citizens Affairs

Animal Control
Agricultural Commissioner
Farm Advisor
Regional Planning
Animal Control
Weights and Measures

County Clerk (Court Services)
Probation
Marshal
Medical Examiner / Coroner
Fire Department

1974 Proposal (cont.)

<u>New Department / Agency</u>	<u>Existing Department</u>
Public Works / Engineering	County Engineer Road Commissioner Flood Control District Sanitation Districts
Education / Recreation / Cultural	Superintendent of Schools Recreation and Parks Beaches Museum of Natural History Museum of Art Arboreta and Botanic Gardens Library

Organizational Plan

Proposed in 1970

This proposal was accompanied by

- Board appointments of Agency heads after consultation with CAO
- Concerted effort on systems and work measurement
- A Department of Finance under the CAO

New Department / Agency

County Counsel

Assessor

District Attorney

Sheriff

Personnel

Finance

General Services

Culture and Recreation

Human Resources

Public Social Services

Existing Department

County Counsel

Assessor

District Attorney

Sheriff

Personnel

Auditor - Controller
Budget (from CAO)
Revenue
Capital Projects

Building Services
Communications
Data Processing
Mechanical
Purchasing
Management Services (from
CAO)
Registrar - Recorder

Art Museum
Museum of Natural History
Arboreta and Botanic Gardens
Beaches
Superintendent of Schools
Parks and Recreation
Library

Adoptions
Human Relations
Community Services
Military and Veterans Affairs
Senior Citizens Affairs

Public Social Services

New Department / Agency

Public Works

Health Services

Inspection and Regulation

Courts and Law Enforcement

Existing Department

County Engineer
Flood
Regional Planning
Road Department

Health Services

Agricultural Commissioner
Animal Control
Medical Examiner - Coroner
Building and Safety (from
Engineer)
Public Health Investigations
(from Health)
Sanitation (from Health)
Weights and Measures

Public Defender
Public Administrator - Guardian
County Clerk
Probation

OTHER COUNTIES

Orange County

Orange County is a general law County. Since it has no Charter, it can reorganize as authorized by the State. No vote of the local electorate is necessary, and there have been apparently few impediments in the statutes or their interpretation by counsel.

The Orange County Board of Supervisors adopted the "Agency" form of organization in 1974. It adopted a strong form of the agency: agency heads appoint their subordinates for departments within their agencies.

Until recently, the county had four agencies accountable directly to the Board. They were 1) General Services Agency, 2) Environmental Management Agency, 3) Community Services Agency, and 4) Human Services Agency. Fourteen departments of the County are not organized into agencies. They include the Courts, public safety departments, and financial and support services. In addition, the Agricultural Commissioner and Sealer of Weights and Measures are merged in a single department, associated with but not part of the Environmental Management Agency. The Human Services Agency as originally designed was not workable and had some performance problems, so the CAO recommended a reorganization that was adopted by the Board this year. The original agency has been split into three - 1)community services (seniors, veterans, consumers), 2) health services (health and mental health), 3) welfare services (income maintenance and social services).

The General Services Agency in Orange County is a federation of some unrelated activities - Libraries, Airports, Procurement, Facilities / Building Services, Transportation. The organizing principle is that all provide a public service, but without any regulatory aspects.

When a group of related departments or functions cannot feasibly be reorganized into an agency, the CAO uses a committee system to coordinate their activities. This applies to the Court and justice functions, where many elected officials are involved.

The key to this reorganization was the role the CAO played in recommending it, and the role that the CAO continues to play in supporting the Board's management functions.

The objectives of the reorganization were to

- ... reduce the Board's span of control from 33 departments to 6 agencies
- ... improve the coordination of related County services
- ... improve the ability to assign tasks
- ... improve the utilization of resources, particularly by smoothing out peaks and valleys in demand
- ... establish and consolidate long range planning functions
- ... reduce the overlap of duplicative functional responsibilities.
- ... produce savings of 2.5% per year reduction in the projected growth rates of affected functions.

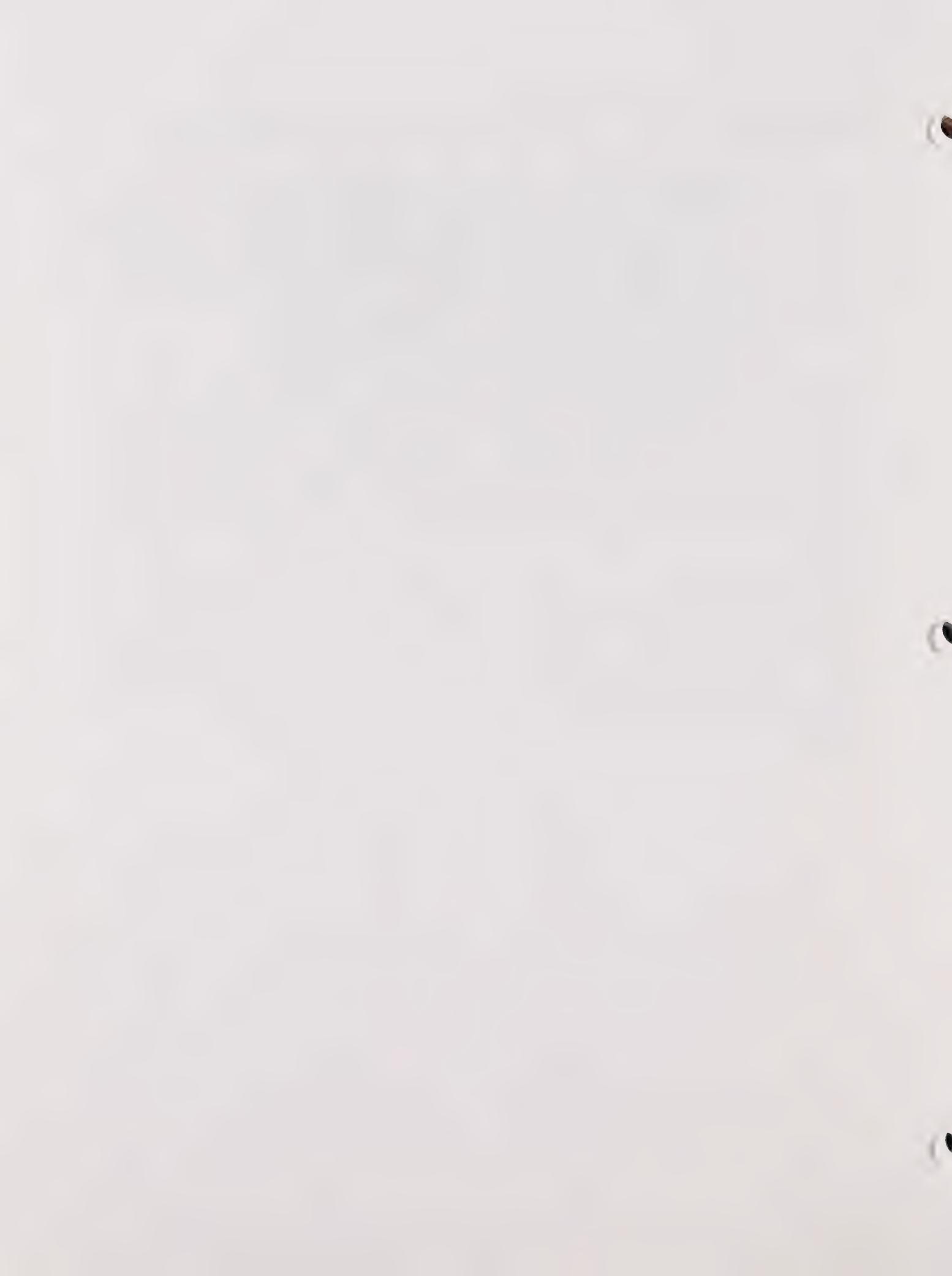
The CAO has evaluated the effectiveness of the reorganization in resolving the problems it was intended to resolve. The reorganization has been effective. In addition to cost reduction and improved coordination of systems, it has relieved the CAO of operating and ministerial responsibilities, so the CAO can devote the highest priority and full energy to corporate level issues.

Fresno County

Fresno County established an Agency structure in the early 1970's. The Board and CAO identified the structure as a 'systems' concept of organization. However, it had the essential features of the Agency structure. The groupings of departments was slightly different than the usual. However, the primary reason for calling the reorganization a "systems" rather than an "agency" concept of control was to reduce the power threat to the operating department heads.

Since then, the organizational and operating structures in Fresno have changed in some major ways: the agency structure no longer exists. They have introduced strong personnel management and incentives programs, a goals program, and major strengths in the CAO's office. The Charter of Fresno County gives the CAO power to appoint and dismiss about half of the department heads. Therefore, the CAO has taken a strong role in organizing the County as he believes most effective.

Fresno County has a well worked out goals program. Recently, Supervisor Antonovich asked the Los Angeles County CAO to review it for applicability here. The Los Angeles CAO has filed a reply with the Board. Essentially, it states that L A County is developing a similar system through its "Management Personnel Plan." One major difference, however, is that the Los Angeles CAO does not have direct appointing and firing authority.



ORANGE COUNTY CAO

The Chief Administrative Office in Orange County is organized functionally according to the functions of the executive - planning, organizing, evaluating. The office includes a Division for Program Coordination, a Division for Budget and Management Services, and a Division for Program Planning. The CAO also includes the Department of Personnel under the control of the CAO.

The Chief Administrative Officer in Orange County has absolute control over the organization. By ordinance of the Board, the CAO must approve all appointments to any position in the 'M' grades - that is, any management position. The CAO personally approves all appointments at levels above grade M-8.

The Chief Administrative Officer led the move to reorganize the County. He managed and produced the studies and negotiated the changes with the Board.

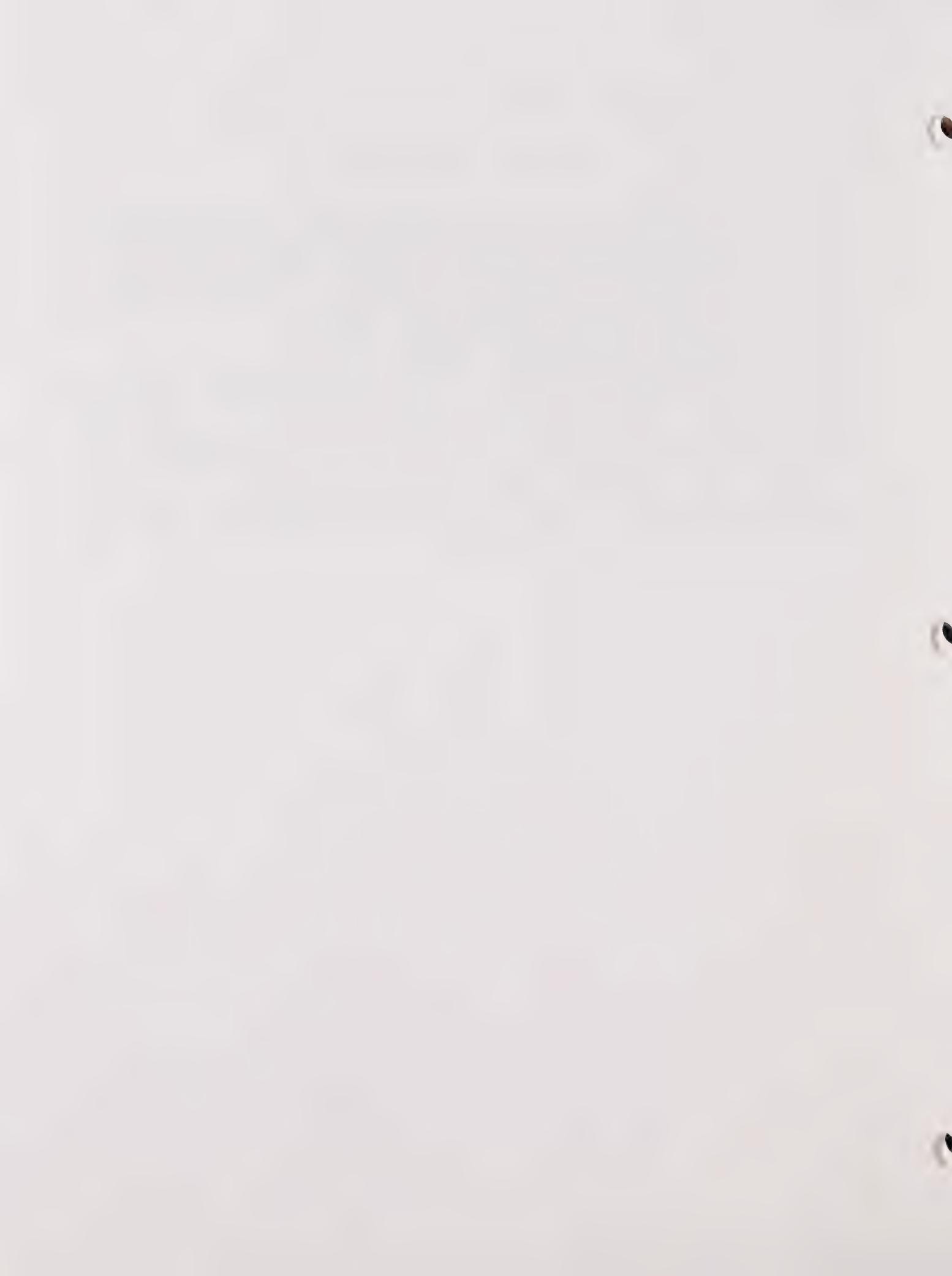


CHART OF ORANGE COUNTY ORGANIZATION

COUNTY OF ORANGE ORGANIZATIONAL CHART

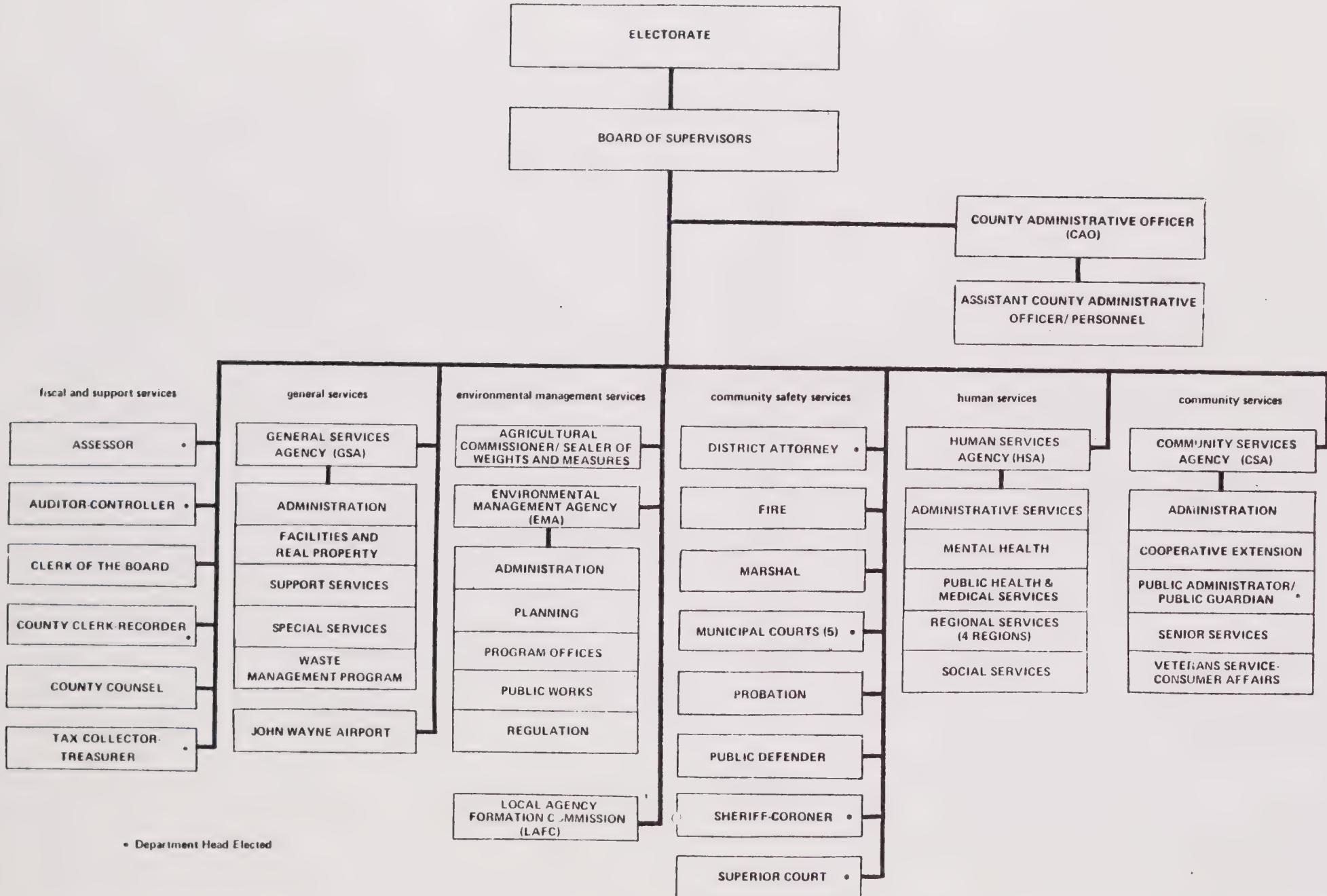
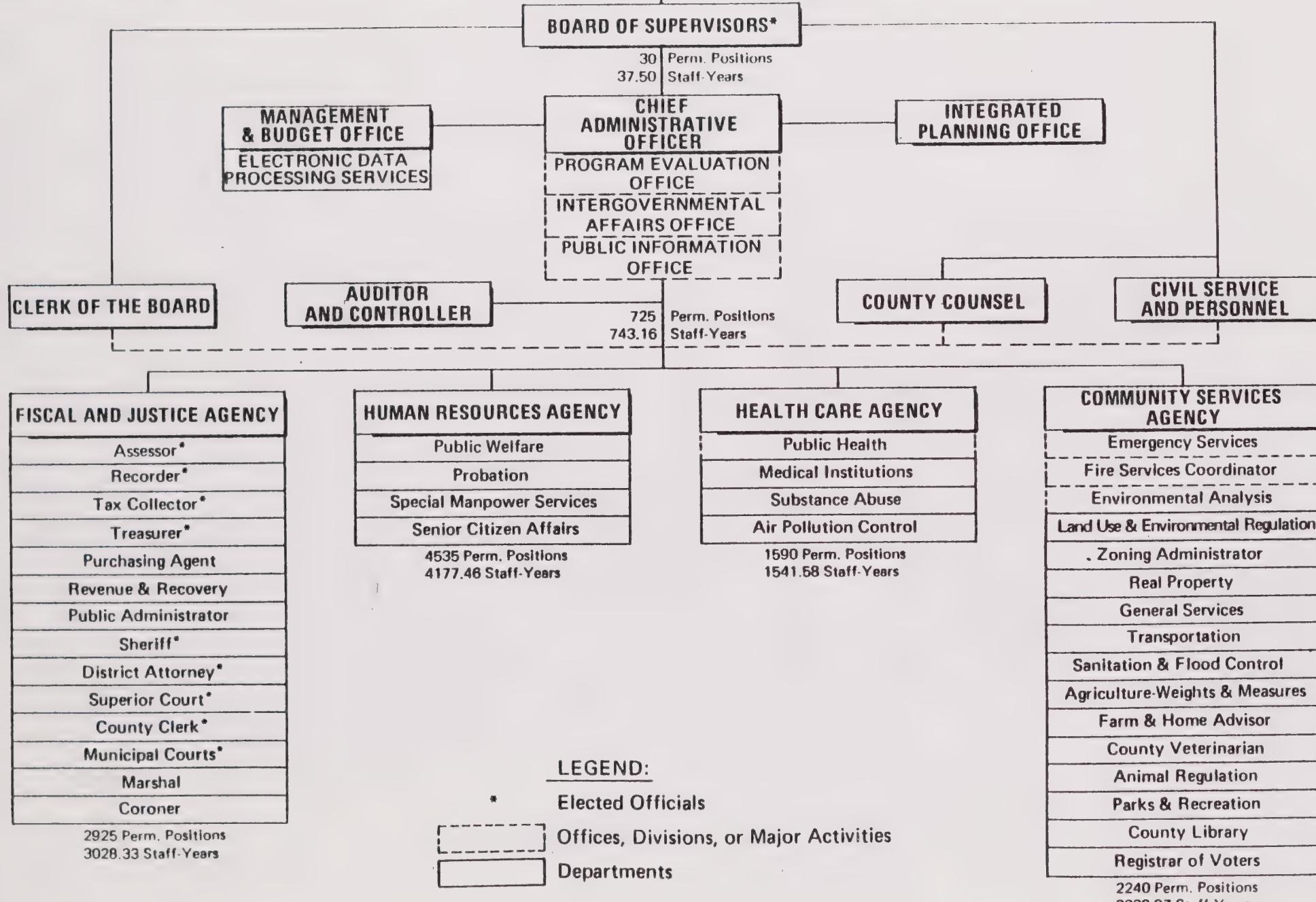


CHART OF SAN DIEGO COUNTY ORGANIZATION

SAN DIEGO COUNTY VOTERS



Total Permanent Positions: 12,042
Total Budgeted Staff-Years: 11,867.00
(Including Temporary Help)

SEPTEMBER 1976

DECISION MAKING AND ORGANIZATION
LOS ANGELES COUNTY GOVERNMENT

REPORT OF THE TASK FORCE
CHIEF ADMINISTRATIVE OFFICE
JUNE, 1983

APPENDIX V
ASSIGNMENT OF DEPARTMENTS



APPENDIX V
ASSIGNMENT OF DEPARTMENTS
Los Angeles County

The official County organization chart is copied on the next page. It contains 64 units.

Exclusions. We excluded the following nine from consideration as departments: Advisory Commissions, Business License Commission, Retirement Association, Music and Performing Arts Commission, Regional Planning Commission, Local Agency Formation Commission, Assessment Appeals Boards, Superintendent of Schools, and Board of Education. In most cases, the commissions are associated with some department and staffed, if at all, by that department. Thus, although they are required by statute (except for the advisory commissions), they are part of a departmental operation and consume resources allocated in that department. In the case of the Superintendent of Schools and the Board of Education, we excluded them because they are nearly independent of Board control, although appointed by the Board. They have separate budgets from the rest of the County, and they are strongly associated with the State's educational system. Although we excluded the County Schools from the overview, we included them in some instances in the consideration of programs that have common missions and goals. For example, the Superintendent operates schools in the probation camps. Therefore, to the extent that the Superintendent may be involved in organizational change, it would be in association with Probation. We did not exclude the Human Relations Commission. It has a staff of its own, and it is reported as a separate budget unit. It produces direct public services, primarily in consultation at the community level on strategies to improve intergroup relations.

Elected. We count the following eight as elected: Assessor, Clerks of the Municipal Courts, District Attorney, Grand Jury, Marshal of the Municipal Courts, Municipal Courts, Sheriff, and Superior Court. For convenience, we consider the 25 Municipal Courts as a single department. The Clerks, Grand Jury and Marshal are appointed by the courts, and thus outside of Board influence except through budgeting. They are part of the elected system, rather than appointed by the Board.

Board Appointed. The remaining units on the chart are the 47 departments whose heads are appointed by the Board of Supervisors. Each is a separate budget unit, and some control more than one budget unit or County fund. The text of our

report contains descriptions of how we assigned these departments to categories of staff, internal service, and public service, as well as discussions of how we believe their programs can be realigned into a simplified system of fewer departments.

The criteria we used to distinguish staff, internal services and public services are as follows:

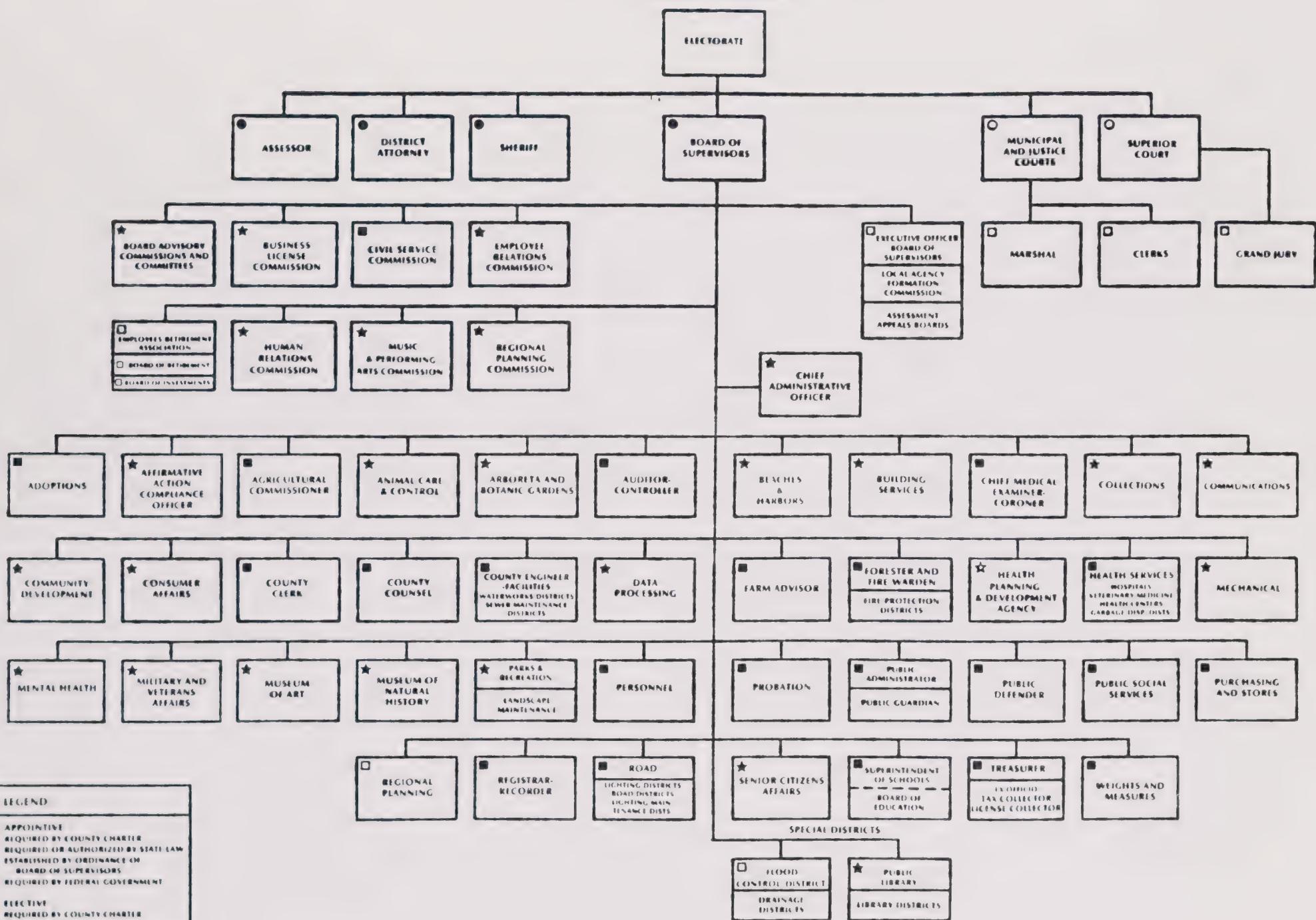
Staff departments are those with the primary institutional missions of advising the Board on appropriate policy and controlling the activities of County employees. They are the Auditor - Controller, the Affirmative Action Compliance Officer, the CAO, the Civil Service and Employee Relations Commissions, the Clerk of the Board, and the County Counsel.

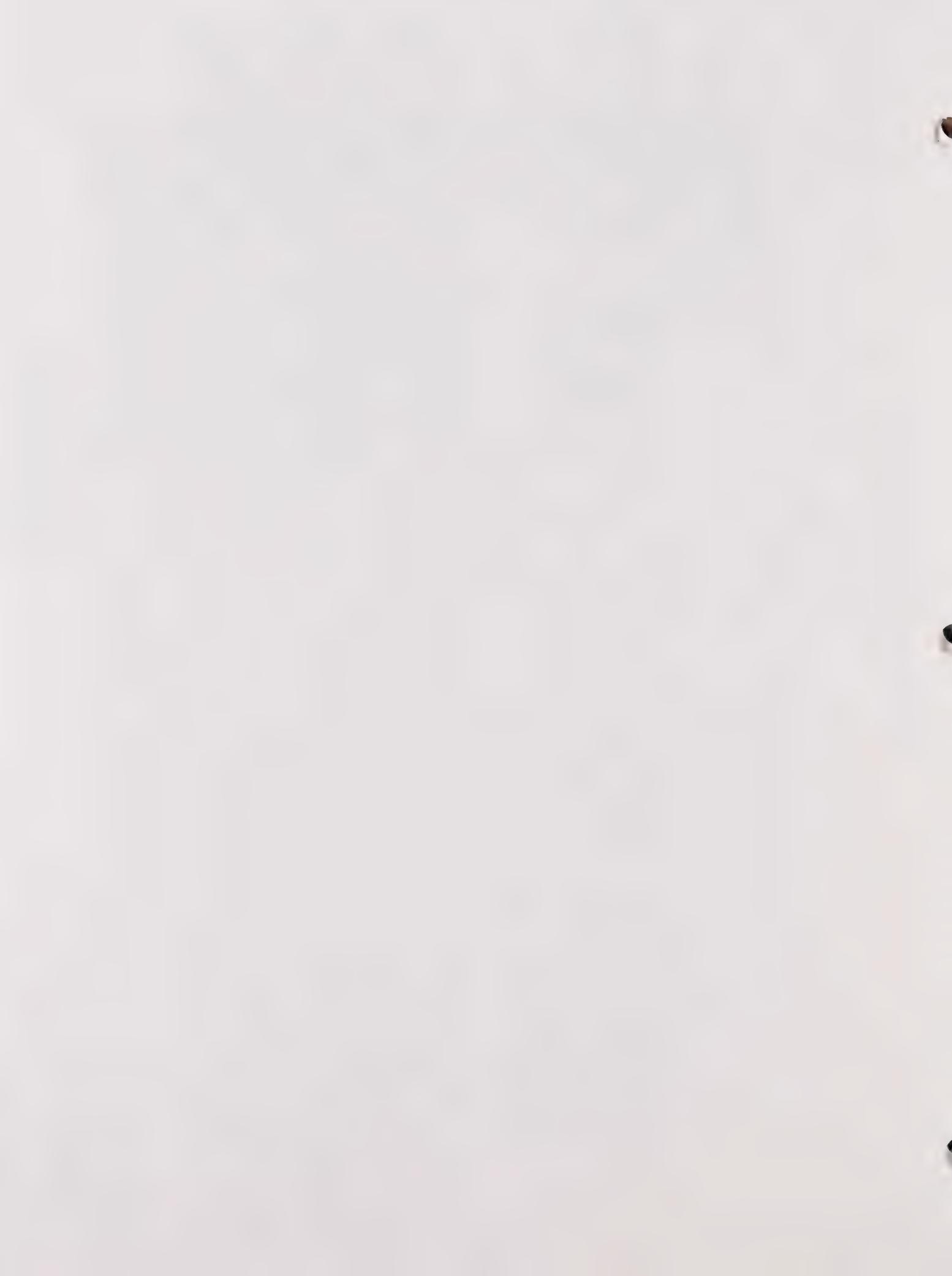
Internal Services departments are those with the primary missions of providing logistal, administrative and financial support services to other County departments. We allocated Building Services, Collections, Communications, Data Processing, Mechanical, Personnel, and Purchasing and Stores to this group. In addition, some of the programs of the Auditor Controller, the County Engineer and the Treasurer-Tax Collector could be assigned to this group according to our criteria. The Auditor - Controller provides accounting services and management of payables. The County Engineer provides for housing of County programs and employees. The Treasurer - Tax Collector administers the retirement program.

Public Services departments are those with the primary missions of either delivering services directly to the public or regulating public and private activity in accordance with the laws.

COUNTY OF LOS ANGELES

CURRENT STRUCTURE

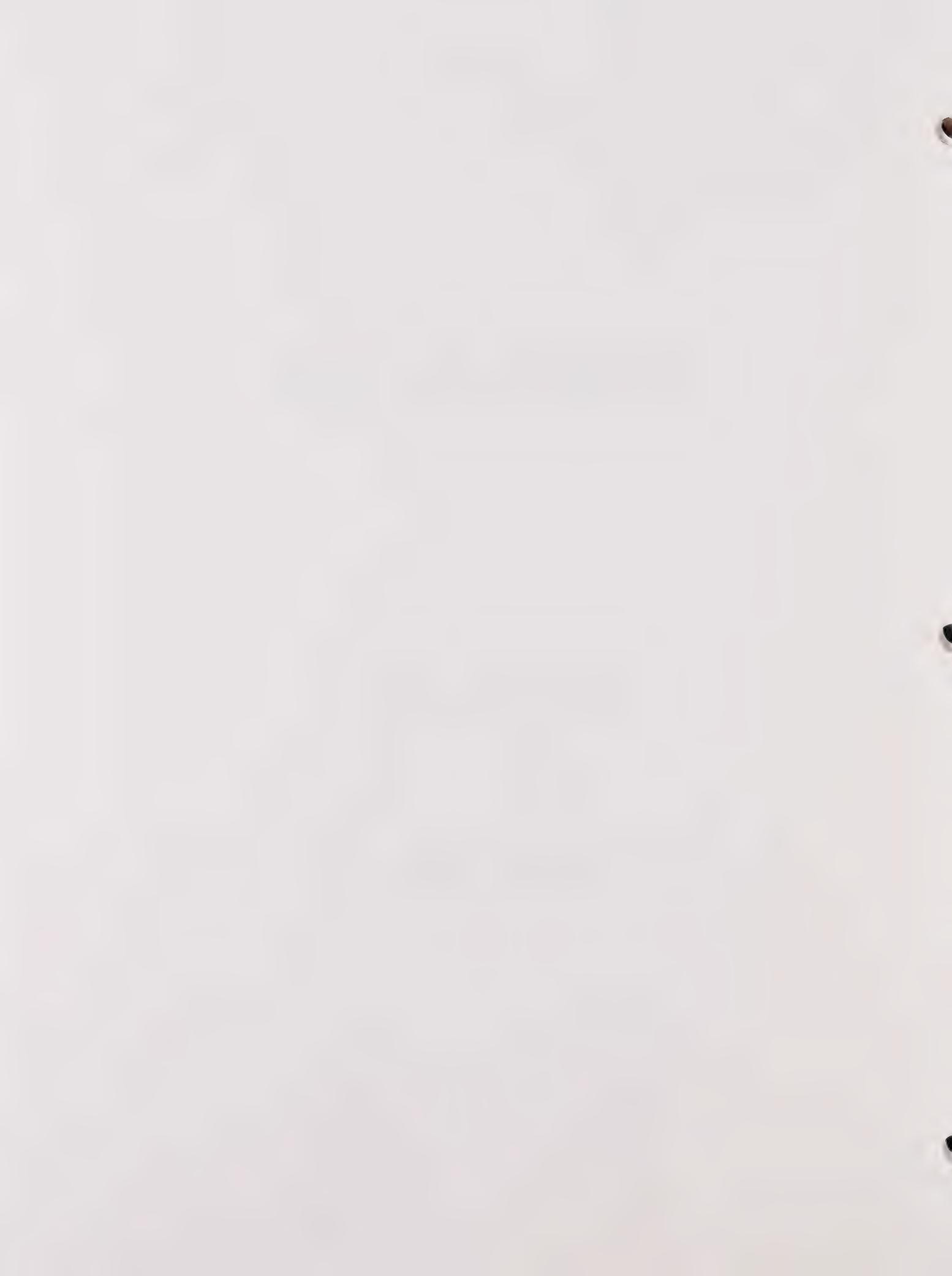




DECISION MAKING AND ORGANIZATION
LOS ANGELES COUNTY GOVERNMENT

REPORT OF THE TASK FORCE
CHIEF ADMINISTRATIVE OFFICE
JUNE, 1983

APPENDIX VI
COSTS OF STRUCTURE



APPENDIX VI
COSTS OR STRUCTURE
Los Angeles County

The data in this Appendix supply the details reviewed by the task force on the size of County departments, executive salaries, and the costs of functions allocable to management and administration of departments.

Size of Departments

Two public services departments have more than 10,000 employees:

Department of Health Services
Department of Public Social Services

Seven departments have between 1,000 and 9,999 employees:

Department of County Engineer/Facilities
Fire Department (includes districts)
Department of Mental Health
Department of Parks and Recreation
Probation Department
Road Department
Flood Control District

Twenty-three¹ departments have fewer than 1,000 employees; of these, eight have fewer than 100.

Those with more than 100 and fewer than 1,000 are:

Department of Adoptions
Agricultural Commissioner
Department of Animal Care and Control
Department of Beaches/Harbors
Chief Medical Examiner - Coroner
Department of Community Services
County Clerk
Museum of Art
Museum of Natural History
Public Administrator/Public Guardian
Public Defender
Department of Regional Planning
Registrar of Voters/Recorder

¹Beaches and Small Craft Harbors were consolidated during the course of this study. In prior years, Beaches had 350 employees and Small Craft Harbors had 60.

Treasurer/Tax Collector
Public Library

Those with fewer than 100 are:

Human Relations Commission
Arboreta/Botanic Gardens
Department of Consumer Affairs
Farm Advisor
Health Systems Planning Agency
Department of Military and Veterans Affairs
Department of Senior Citizens Affairs
Department of Small Craft Harbors¹
Department of Weights and Measures

Executive Compensation

The Board compensates department heads with a combination of salary, fringe benefits amounting to approximately 30% of salary, and cash bonuses. Our computations do not include such other forms of compensation as the use of County cars and the deferral of income for tax purposes. Our data did not include compensation for the Civil Service and Employee Relations Commission Directors, the Farm Advisor, and the Director of Small Craft Harbors.¹

In 1982-83, the Board awarded thirteen cash bonuses, each for \$3500, for a total of \$46,000. The total of salaries for the department heads with more than 1,000 employees was \$152,000. Salaries for department heads with between 1,000 and 9,999 employees totaled \$503,000. Salaries for department heads with fewer than 1000 employees totaled \$1,284,000. Including fringes, total salary compensation for 31 operating executives was thus \$2.521 million, and the average \$81,300. Including fringes, the total for 5 central staff executives was \$0.438 million, and the total for 7 internal services executives was \$0.550 million. The average compensation for staff and service executives was thus \$82,300. The table below summarizes these data.

Executive Compensation

Los Angeles County

1982-83

<u>Type of Executive</u>	<u>Number of Departments</u>	<u>Department Hd Compensation Average</u>
<u>Appointed By Board</u>		
Central Staff	5	438 87.6
Internal Services	7	550 78.6
Program Services	31	<u>2,521</u> 81.3
Total Salaries	44	<u>3,509</u> 79.8
Bonuses	13	<u>46</u> 3.5
Total County	43	<u>3,555</u> 82.7

Positions Allocable to Administrative Functions

The task force reviewed the position budgets for the seven internal services departments. We allocated each department's labor budget according to key words in the titles of positions. For example, we allocated positions with the titles, "Accountant", "Accounting Technician", "Assistant Accounting Technician III, and the like to the administrative function we called "Accounting". The approach can cause a few mis-allocations, but they are not likely to significantly affect the overall results.

The paragraphs below contain a description of how we allocated the positions in each of the internal services departments.

Building Services Department

Allocated to Management

Note. The average salaries of the positions we allocated to management in this department is \$28,600, and the range is \$22,100 to \$52,900.

Director

General Services Managers I and II

Head Custodial Coordinator

Manager, Area Custodial Operations

Assistant Chief, Housekeeping and Custodial

Assistant Custodial Services Coordinator

Chief, Housekeeping and Custodial

Chief Deputy Director

Assistant Division Chief

Deputy Director

Division Chief

Allocated to Accounting

Accountant II and III
Accounting Technician II

Allocated to Administrative Staff

Administrative Assistant
Special Assistant
Supervising Administrative Assistant

Allocated to Payroll and Personnel

Personnel Assistants
Personnel Officer
Payroll Assistant
Payroll Clerk
Payroll Clerk II
Supervising Payroll Clerk
Senior and Principal Payroll Clerks
Senior and Principal Personnel Assistants
Staff Development Specialist
Staff Trainer

Allocated to Secretarial and Clerical

Executive Secretary II
Int. Supervising Typist Clerk
Intermediate Clerk
Intermediate Stenographer
Intermediate Typist Clerk
Management Secretary II
Senior Management Secretary II
Senior Secretary II

Allocated to Inventory Management

Warehouse Worker Aid
Warehouse Worker I
Warehouse Worker III
Supervising Warehouse Worker

Department of Collections

Note. In this department, we considered many of the accounting and the clerical positions as operations, rather than as administration, because the processing of information on the accounts managed by the department is the primary reason for the positions.

Allocated to Management

Note. The average salary for positions we allocated to this group is \$41,700, and the range is \$32,300 to 56,100.

Director
Assistant Division Chief
Chief Deputy Director
Chief Fiscal Services
Chief Systems Division
Deputy Director
Division Chief
Head Staff Services

Allocated to Payroll and Personnel

Payroll Clerk Assistant
Personnel Assistant
Personnel Technician
Personnel Officer I
Payroll Clerk

Allocated to Administrative Assistance

Administrative Assistants II and III
Systems and Work Measurement Aids
Special Assistant
Staff Assistant

Allocated to Information Processing

Data Systems Analysts

Allocated to Secretarial

Management Secretary
Senior Management Secretary
Executive Secretary
intermediate supervising typist clerk
Stenographer
Intermediate Stenographer
Secretary II
Senior Secretary II

Allocated to Inventory Management

Procurement Aid

Warehouse Worker Aid

Department of Communications

Allocated to Management

Note. The average salary of positions allocated to this group is \$47,700, and the range is \$37,400 to \$59,300.

Director
Chief Deputy Director
Administrative Deputy
Deputy Director
Division Chief
Manager, Emergency Support

Allocated to Accounting

Account Clerk I and II
Accountant II
Accounting Officer II
Accounting Technician I and II
Head, Fiscal and Management Services
Invoice Clerk

Allocated to Administrative Assistance

Administrative Assistant II and III
Systems and Work Measurement Analyst

Allocated to Payroll and Personnel

Assistant Payroll Clerk II
Departmental Personnel Assistant
Departmental Personnel Technician
Personnel Officer II
Senior Departmental Personnel Technician

Allocated to Information Processing

Data Control Clerk
Data Systems Coordinator
EDP Programmer Analyst I

Allocated to Inventory Management

Inventory Control Assistant I
Procurement Assistant I
Warehouse Worker II

Allocated to Secretarial

Intermediate Clerk
Intermediate Stenographer

Intermediate Typist-Clerk
Management Secretary II
Secretary II
Secretary III
Senior Management Secretary II
Senior Secretary II
Senior Typist Clerk
Word Processor I

Department of Data Processing.

Allocated to Management

Note. This department employs both managers and technical managers. We assigned positions with "manager" in the title to operations management, and positions with "specialist" in the title to technical management. We assigned those with "Deputy" or "Director" in the title to executive management. The average salary of the six positions allocated to executive management is \$59,800. The average salary of the 64 positions allocated to operations management is \$48,700. The average salary of the 50 positions allocated to technical management is \$49,100.

Director
Chief Deputy Director
Administrative Deputy
Deputy Director

Data Processing Managers I - III

Data Processing Specialists I - III

Allocated to Accounting

Account Clerk I and II
Accountant II and III
Accounting Technician I
Fiscal Officer I
Head, Budget and Fiscal

Allocated to Administrative Assistance

Administrative Assistant I, II and III
Senior Data Processing Contracts Analyst
Staff Assistant II
Supervising Administrative Assistant II
EDP Systems Security Specialist

Allocated to Payroll and Personnel

Assistant Payroll Clerk II
Payroll Clerk II
Personnel Officer III
Senior Departmental Personnel Assistant
Senior Departmental Personnel Technician

Allocated to Secretarial

Clerk
Executive Secretary III
Intermediate clerk
Intermediate Stenographer
Intermediate Typist-Clerk
Senior Management Secretary III
Senior Secretary II and III
Senior Typist Clerk
Supervising Clerk
Supervising Word Processor
Typist Clerk
Word Processor I and II

Allocated to Inventory Management

Inventory Control Assistant I
Procurement Aid
Procurement Assistant I
Warehouse Worker Aid

Allocated to Transportation

Light Vehicle Driver

Mechanical Department

Note. Accounting, Administrative Assistance, Payroll-Personnel, Inventory Management, and Secretarial follow the same patterns as above. For this department and the rest, we list the positions allocated to management and to information or logistical support.

Allocated to Management

Note. In this department, as in Data Processing, we found three groups of Management - Executive, Operations, and Technical (Crafts). We allocated ten positions to the executive, with an average salary of \$55,200. We allocated six position to operations management, with an average salary of \$39,500. We allocated 27 positions to crafts management, with an average salary of \$44,100.

Director
Chief Deputy Director
Division Chief
Deputy Director
Administrative Deputy

Assistant Chief (Divisions)
Chief (Divisions)

Auto Crafts Manager
Assistant Auto Crafts Manager

Manager Building Crafts
Assistant Manager Building Crafts
Manager Warehouse Operations

INformation Processing

Data Control Clerk
Data Systems Coordinator

Department of Personnel

Allocated to Management

Director
Chief Deputy Director
Deputy Director
Assistant Director (OH-N)
Director (OH-N)
Division Chiefs
OH-N Manager
Assistant Employee Insurance Manager
Employee Insurance Manger
Medical Records Director

Allocated to Information Processing

Data Conversion Equipment Operator I and II
Data Conversion Supervisor I
Data Systems Analyst
Data Systems Coordinator
Head, Data Processing Unit
Head, Central Records
Int Tabulating Machine Operator
Tabulating Machine Operator

Department of Purchasing and Stores

Note. Since this department buys all personal property for the County and manages central stores, the positions allocable to procurement for the department itself are a small fraction of the positions with inventory or procurement-related titles.

Allocated to Management

Purchasing Agent
Assistant Chief, Printing
Assistant Chief, Stores
Assistant Division Chief
Chief Deputy Purchasing Agent
Division Chief, Purchasing and Stores
Head, Budget and Management Services

Allocated to Transportation

Light Vehicle Driver
Combination Truck Driver
Heavy Truck Driver

Summary.

Based on the allocations of positions listed above, the seven departments have at least 970 positions allocated to management and administrative functions. Excluding all accounting positions in Collections and all procurement or inventory-related positions in Purchasing, the departments spend \$22.9 million annually on managerial and administrative labor. The total, including benefits, amounts to \$30 million, or 16.1% of their total labor budget of \$186.2 million. Benefits as a percent of payroll range from 27% in Data Processing and Personnel to 37% in Building Services. (The range reflects the relative salary levels in the departments.) The cost of management and administration ranges from 9% of the department's net adjusted gross in Building Services to 30% of net adjusted gross in Purchasing.

Estimated Attainable Savings

Based on the findings of our field study team, the following costs can be reduced:

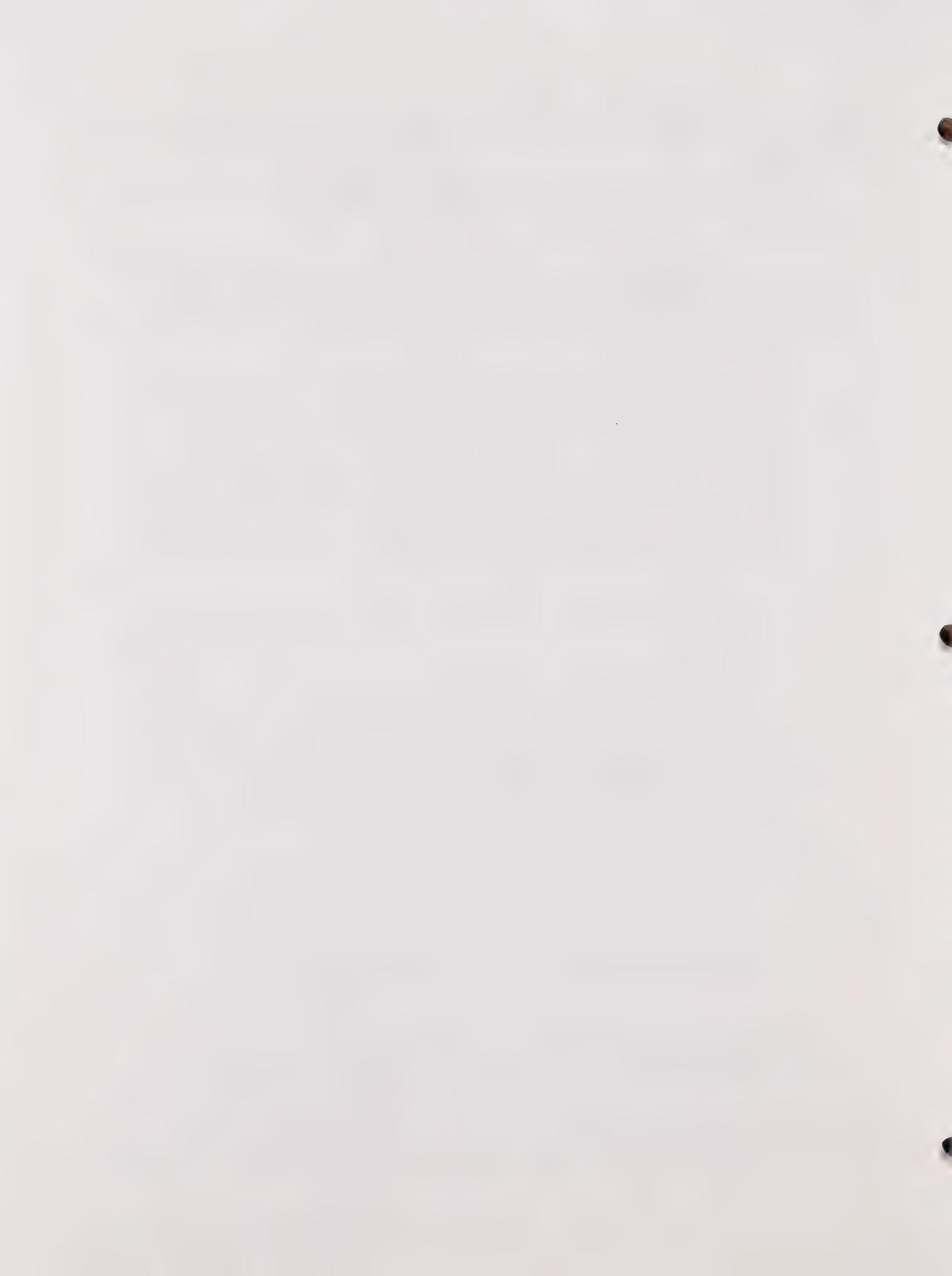
- The excess of the cost of processing source documentation for payroll, over what a private company expects to spend, estimated at \$11 million;
- The excess of the labor cost of managing inventory levels over expected values, estimated at 16 positions for the seven departments, and at 48 positions if the sample is representative of the entire County;
- The excess of the cost of space allocated to managing inventory levels over expected values, estimated at 41,000 square feet for the seven departments and 142,000 square feet for the County as a whole;
- The excess of the labor cost attributable to decentralized procurement functions and over-use of the non-agreement method of purchase, estimated at \$1 million for the seven departments.

Based on our estimates of the costs of management and administration, 16% of the County's payroll, or more, is allocable to management and administrative

support. With payroll at the \$1.7 billion level, this represents a cost of \$300 million.

A savings, of ten percent of the cost of management and administration is a reasonable goal, and should be achievable within four years.

- If standardization of inventory policy can save half of the excess space allocated to inventory, the annual savings should amount to \$615,000 in the internal services departments alone, based on an annual cost of \$15 per square foot. This should be achievable within one year.
- Similarly, the savings for the County-wide use of space could amount to \$1.1 million, if we assume that only half the space can be converted into dollars and a \$15 rental or opportunity cost.
- Labor costs associated with decentralized, non-standard purchasing can be reduced by at least \$1 million, and those associated with the absence of data processing for several functions of the internal services departments can be reduced by another \$1 million. The total of inventory and purchasing savings, \$3 million, should be achievable within four years.
- If standardization of process for payroll can save half of the excess cost of processing, the savings will amount to at least \$5.0 million.
- If public services departments are consolidated, the average compensation of each management cadre that can be eliminated can be reduced from \$130,000 (for the Director and Chief Deputy Director) to the level of \$50,000 (for a management position at the level of Division or District Chief.) Thus, reduction in the chief executive function alone, achievable by reducing the number of departments from 47 to 20, should amount to \$1.4 million.



DECISION MAKING AND ORGANIZATION
LOS ANGELES COUNTY GOVERNMENT

REPORT OF THE TASK FORCE
CHIEF ADMINISTRATIVE OFFICE
JUNE, 1983

APPENDIX VII
CASE STUDIES



APPENDIX VII CASE STUDIES

Systems Implementation - Shared Accountability

The first case is our commission's effort to establish a cost accounting system in the Mechanical Department. (We based our recommendation, adopted by the Board, on the finding that genuinely cost effective contracting will be impossible in the Mechanical Department until cost accounting is implemented -- therefore, it is a high priority item.)

The Board adopted our recommendation to implement cost accounting in the Mechanical Department in August, 1982. In June, 1983, the County established a contract with the system designer to assist the Department during implementation.

The Mechanical Department accountable for implementation of cost accounting, and is the project director on the contract. However, as the Department has pointed out, the active participation of the Auditor - Controller, CAO, and Data Processing Departments is essential.

The Auditor - Controller's role in implementation is to ensure that what the Mechanical Department does is consistent with County accounting policies. However, the Auditor - Controller is accountable for acquiring the system in the first place and for establishing the accounting policies on which its implementation will be based. The CAO has provided authorization for the effort, but the funding must come out of the Department's appropriation. Since associated development costs are not predictable (for satellite systems), the CAO shares accountability for any impact the internal financing policy has on Mechanical operations. The Data Processing Department's role is responding to Department requests for systems design, equipment, and processing. The compatibility of operating and satellite systems with the cost accounting modules of FIRM is its sphere of accountability; it is clearly not accountable for the appropriateness of the applications requested by the Mechanical Department, for the financing provided by the CAO, or for the policies established by the Auditor - Controller.

Since this is the first implementation of such a system by a major County department, the process will have an impact on the Countywide system as it develops. In particular, cost allocation decisions that have never been made in the County, on such questions as how to prorate the costs of utilities in multi-user facilities, will become County-wide policy.

The Board, if it expects priority on this effort, cannot reasonably be held

accountable for the technical design and implementation of data processing and accounting systems. The Board's committee system will not help to ensure Board involvement: Mechanical and Data Processing are the only two of the four assigned to the same District.

The task force concludes that the accountability for administrative systems selection, design and implementation is shared in the County system. No single individual has hierarchical control over establishing standards for such systems or policies governing their effective use.

In addition, the task force concludes that the absence of centralized policy on systems and financial issues is attributable both to the absence of centralized authority to establish them and to the proliferation of separate, independent County departments.

Obviously, reorganization alternatives will not completely resolve the issues. No one will support merging the Auditor-Controller, Mechanical, the CAO and Data Processing for the sake of implementing one system. What the case illustrates is the problem of central management: no one has sufficient authority to make the major decisions about the system.

The example is one of the reasons we believe establishment of project management responsibility, instead of audit responsibility, would be beneficial in the CAO's office. In addition, the CAO should be assigned responsibility to establish County-wide administrative standards and policy. However, both would require clear authority for the CAO over management and policy decisions affecting the projects.

Facility Alteration - Suboptimization

The 1981 - 82 Grand Jury recommended that the County make some alterations at the facility, on San Fernando Road in Glendale, where the Superior Court's Mental Health Department conducts its business. The objective was to improve safety and conditions for patients at the facility, particularly those not in custody. Accomplishing this objective would require the concurrence and cooperation of the Superior Court, the District Attorney, the Public Defender, the Public Guardian, the CAO, Mechanical, the Sheriff, the Department of Mental Health, and the Department of the County Engineer / Facilities.

The Board appropriated \$450,000 to pay for alterations to be done by the Mechanical Department. Because relocating the court might have been a better solution, the Superior Court asked the CAO and the Department of Facilities to determine whether alternative space was available among the County's properties.

The answer was "no." However, in the intervening time, the Director of the Mental Health Department determined that alternative space is available at the State Hospital in Norwalk. He proposed to the Board of Supervisors that the court should be moved there. He claimed that at least 50% of the people heard at the court are his clients and candidates for treatment at Norwalk. He claimed that responding to their needs by attending court in Glendale creates unnecessary and excessive pressure on his department's budget and is not in the best interests of the patients. The other departments contended that relocation to the hospital in Norwalk is not a reasonable option, and would create excessive costs in their budgets. The Board made the decision to make the alterations, and they will be made.

The task force concludes that no one has the responsibility to determine optimally cost-effective decisions among a group of departments participating in the same delivery system. The information necessary to analyze what the alternatives are and their potential costs and impact is not available in any one place. The reason is the single-department system of control and the strong emphasis on budgetary accountability based on that control. Since analytical information is not available, the dispute is resolved according to the relative power of the departments in the County system. The underlying optimization questions remain unresolved.

Clearly, no reorganization can contribute to the resolution of this problem. It is related to the emphasis on control in the CAO's office, as well as to the complexity of interdepartmental service systems. It led us to consider establishment of systems' evaluation and planning responsibility in the Management Services Division of the CAO's office. Rather than auditing individual departments, the Management Services group should be analyzing multi-departmental delivery systems, contracting systems, and productivity plans.

Automated Fuel - Delay and Indecision

In 1979, Supervisor Schabarum proposed automation of fuel dispensing at County-owned sites. He proposed automation when he learned that several other jurisdictions had achieved 5% - 15% savings of fuel costs through automation. Further, it seemed reasonable that the economics would be favorable, since several for-profit fuel providers had adopted automation. Finally, previous studies had shown that the County's inadequate controls were leading to excessive costs.

The Board asked the CAO for recommendations in June, 1979. During the

discussion, Supervisor Schabarum pointed out that the County consumed over one million gallons of fuel monthly, and that it was dispensed from over 270 scattered locations. Thus the Board proposed centralized control and computerization of dispensing.

In November, 1981, the Board deferred the acquisition of an automated system and established an interdepartmental task force to develop a program of decreasing the number of sites by closure and consolidation. The following 13 departments were operating one or more of the 270 County sites: Arboreta, Beaches, County Engineer-Facilities, Fire, Flood, Harbors, Health, Mechanical, Parks, Probation, Purchasing, Road, and Sheriff. The CAO would conduct the analysis. The Departments of Data Processing, the Purchasing Officer and the Auditor Controller would be involved in consultation tasks when information was needed on computerization, fuel pricing or financial controls. Thus, sixteen operating, staff or central services departments would cooperate on the consolidation and closure effort.

By September, 1982, the CAO and task force had filed their report. The departments had identified eleven sites as candidates for closure and had closed ten of them. The CAO had identified 19 more, based on close proximity, assuming that several departments or units in the area would share a site. Differences of departmental need, fuel or equipment type, geographic location, tank capacity, price of fuel, hours of operation, and transportation costs were taken into account. The table below contains a summary of the recommendations. The report stated:

- "Our review of the remaining fuel site clusters indicates that departmental autonomy, diversified services and the County's large geographical area have contributed to the proliferation of sites."

County Fuel Dispensing SitesClosure or Consolidation

1982

<u>Department</u>	<u>No. of Sites</u>	Closed Dept. Rec.	or Consolidated CAO Rec.	Board Adopt
Arboreta	3	0	0	
Beaches	8	0	0	
Engineer-Facilities	8	0	0	
Fire	119	0	13	
Flood	21	3	3	
Harbors	2	0	0	
Health	10	1	1	
Mechanical	7	1	1	
Parks and Recreation	24	0	0	
Probation	1	0	0	
Purchasing	1	0	0	
Road	45	5	3	
Sheriff	24	1	0	
Total	273	11	19	

The CAO continued to recommend deferring extensive automation, since automation would not pay off for small inefficient sites. Instead, the CAO recommended that the Board adopt a strategic process for reducing the number of sites over time and automating larger, consolidated sites.

In October, 1982, forty months after the initial request, the Board ordered closure of seven sites, modification of eight to larger capacity, and automation of three. The plan and planning process were not adopted. Instead of 273 sites, the County will operate 266.

Although the connections between politics and this apparently bureaucratic question is obscure, it is real enough. Of the 273 sites, 143 were operated by the potent public safety departments and 74 by public works departments. These have significant influence among constituents and have significant impact on physical conditions in each supervisorial district.

Of the remaining 130, 37 were operated by highly specialized, widely dispersed recreational departments. The remaining 93 were either efficient, high capacity sites, highly specialized sites for off-road vehicles, or in remote locations.

In our view, what is significant about this case is not that the decision is determined politically. Most decisions that have a potential political impact will be determined politically. What is significant is that the amount of time spent

reaching the decision - five years - is not consistent with the outcomes. The report to the Board contains some information on potential economic impact, but not what we would expect on return on investment criteria. It appears that much of the time spent was devoted more to bargaining than to analysis of the alternatives. If it was predictable in advance that politics would dominate the decision, then the effort to analyze consolidation alternatives could have been reduced, and the bargaining process eliminated. If it was not predictable that politics would dominate, then the analysis could have been more extensive on the economic effects, and the bargaining left to the political process at the Board level.

We do not propose that analysis can neglect political considerations, but rather that they can be explicitly incorporated in a review of alternatives and the cost, rather than be decided before they reach the Board. The Board is the appropriate body to make political decisions.

The case also illustrates a central problem of the CAO's relationship to the Board. That is, when the CAO attempts a systematic, comprehensive approach to system-wide standards and alternatives, it can be frustrated by bureaucratic imitation of political processes. The case is one of the reasons we are recommending that the Board clarify what kinds of information and analysis it expects, by modifying the ordinance on the CAO.

It would also improve the relationship if the ordinance would specify that the costs of responding to Board requests for information and analysis must be incorporated in each CAO report. Responding to Board requests, whether for information or analysis, is a major source of workload in the CAO's office. That is not a problem: it is one of the reasons the CAO was created and has been continued. We believe that reporting the actual costs will help even out the peaks and valleys of the work, or develop a convincing case for more or a different kind of resource.

Alternate Public Defender - Unclear Goals

Our second example of inordinate delays in the decision making process has a less remote connection with constituent and interest-group politics. The example is the choice the Board can make among alternative methods of delivering free legal defense when two or more indigents are prosecuted for the same crime. When that occurs, the Public Defender cannot legally or ethically defend both. In such cases, called "conflict cases", and in cases where the Public Defender has no available

staff to appoint, the court in which the accused are tried appoints an attorney. The controversy - in this case managerial and political - is over the most cost effective method of employing the alternate defense attorney. The County spends nearly \$20 million annually on these services in addition to the Public Defender's cost of \$32 million.

In the present system, the court appoints an attorney from a list of qualified private defense attorneys in the community served by the court district. The attorney charges the regular hourly fee for service. The court has additional authority to determine whether the defendant can make any financial contribution to the cost of his or her defense and to order the defendant to so reimburse the County when possible. This authority is seldom exercised in most courts.

In January, 1980, the Board of Supervisors adopted a pilot program in the Pomona Municipal Court District enabling the court to appoint an attorney with whom the Board had a contract, at a standard hourly rate of \$40.00, to supply defense attorney services in conflict cases. The court was not obliged by the contract; if necessary it could appoint in the usual manner. In the first year of the contract, costs averaged \$200 per case. In contrast, costs in other Municipal Courts, using the appointment system, were averaging \$300 per case.

In June, 1981, the CAO proposed that the Board expand the contract system to all courts while creating an administrative office to manage the contracts. The CAO predicted annual savings of \$2.5 million. Criminal defense attorneys, their bar associations, and the Los Angeles County Bar Association vigorously opposed expansion of the programs. The State Bar issued a set of guidelines for counties considering defense contracting. Lawyers, judges, experts in jurisprudence, consultants, County advisory committees and County bureaucrats struggled with the ethical, legal and economic questions.

In December, 1981, the Board directed the CAO to analyze the alternative of establishing a new County department, appointed by the Board, staffed with lawyers who would represent indigent defendants in conflict cases. By March, 1982, the CAO had determined that a second department could realize even more significant savings than the contract method, based on its assessment of the costs of the Public Defender. According to per-case costs, the contract method would save \$3.0 million compared to the present court appointment system; the new department would save \$10.8 million. The Board has little use for the idea of creating a new department. No one has any confidence that its costs would be controlled, since it would be just another County bureaucracy. That is, the Board does not believe the

numbers supplied by the CAO. With the economic and political influence of the legal community, risking a decision of that magnitude on unproven estimates was out of the question. Moreover, the present Board has as strong a preference for reducing the County workforce as previous Boards had of increasing it.

Recently, Supervisor Schabarum suggested a controlled experiment to evaluate all three basic alternatives. That would have resolved the dilemma, but it turned out to be legally unfeasible.

The legal and ethical issues are subtle and complex. The bar objects to using a per-case average as the norm for evaluating costs. Private defense attorneys point out that such an average fails to account for differences in the level of difficulty among cases; one method may cost more than another principally because the cases are more difficult. In any event, they see the per-case average as a limiting factor which could create an economic incentive for the contract attorney to underrepresent clients, particularly in difficult cases. The system cannot produce data on case difficulty or variability; even if it could, no attorney would accept it as predictive. Each case is different.

The political issues are less subtle. They are not complex. Lawyers comprise a knowledgeable, intelligent, affluent, numerous, and influential interest group in our society. Their concerns are legitimate; the fact remains, however, that their incentives are minimal for actively developing means of reducing the costs of the justice system.

The courts are overspent by at least \$10 million. The CAO's research, backed up by empirical data, demonstrates that annual savings of at least \$3 million are available, at no cost to the private bar and at no risk to justice or defendants' rights. This issue is still unresolved, four years after the initial proposal. [During the period of our review, the Board decided to adopt the contracting method. The CAO will be evaluating the outcomes.]

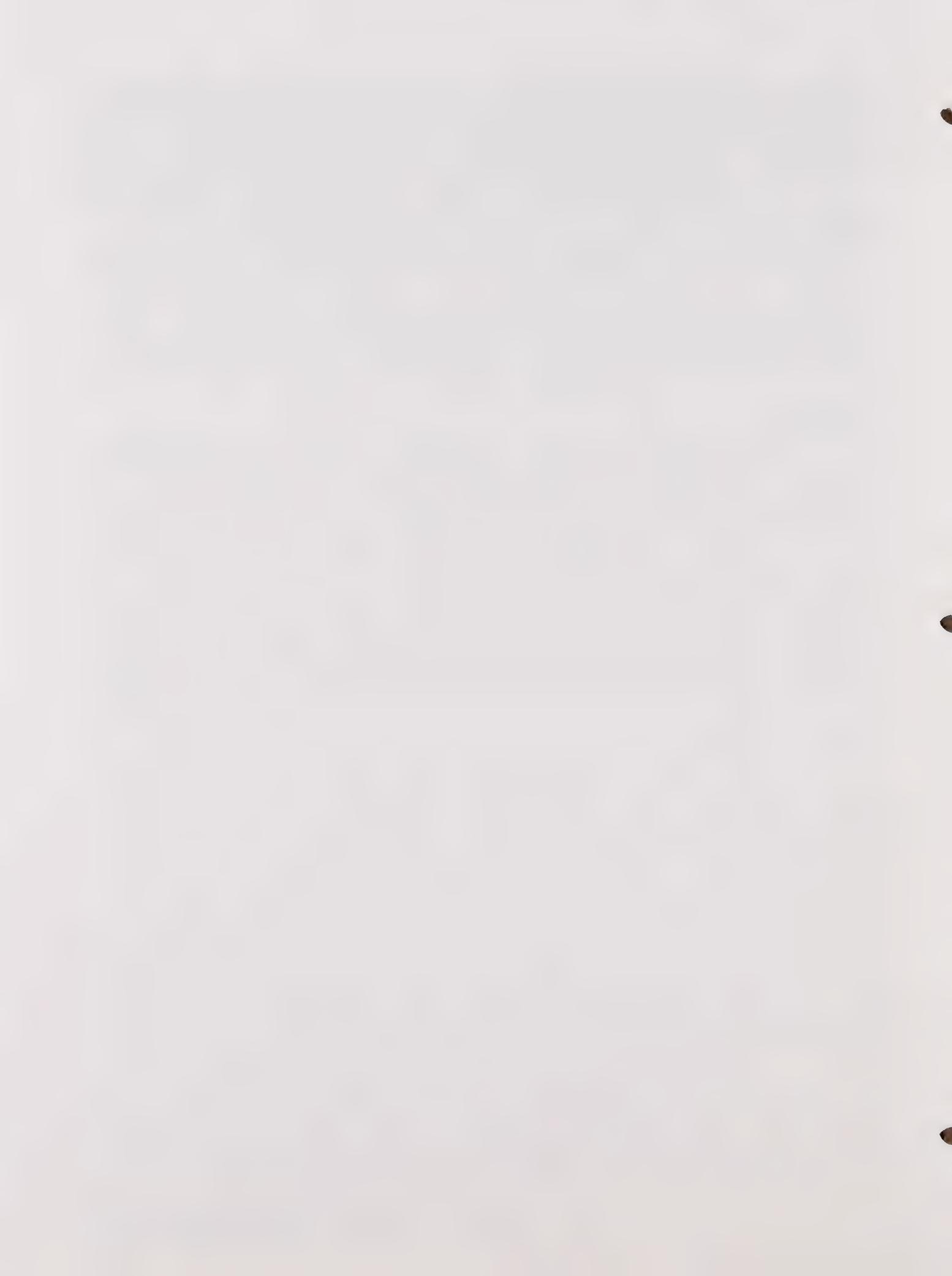
The task force concludes from this example that the current system, in the Chief Administrative Office, is capable of providing the Board with complete information and analysis. The CAO supplied all alternatives and information on their economic consequences. The decision was made politically. In contrast to the fuel case and the mental health court, the alternate defense counsel case involved community, rather than bureaucratic, politics.

However, the case again illustrates a difficulty in the relationship of the Board to the CAO. That is on the nature of goals and the chance that goals will change as the politics change. Contracting is a reasonable alternative for many

County services, but it is never the only alternative. Complete privatization and divestiture of the service may be preferable to contracting, and it would be more permanent. Complete bureaucratization of the service may be preferable to contracting, if the economics are the criterion. It is clear that the Board's goals change from time to time to reflect change in the electorate. If the goal is economic operation - rather than a specific means to obtain it - then the CAO can respond as in the Alternate Defense case, and the Board can make a decision politically. If the goal is privatization, bureaucratization, or some other specific means believed to be efficient, then the analysis must take a different course. In any event, the goals must be clear. That is, the Board must agree on them.

Conclusion

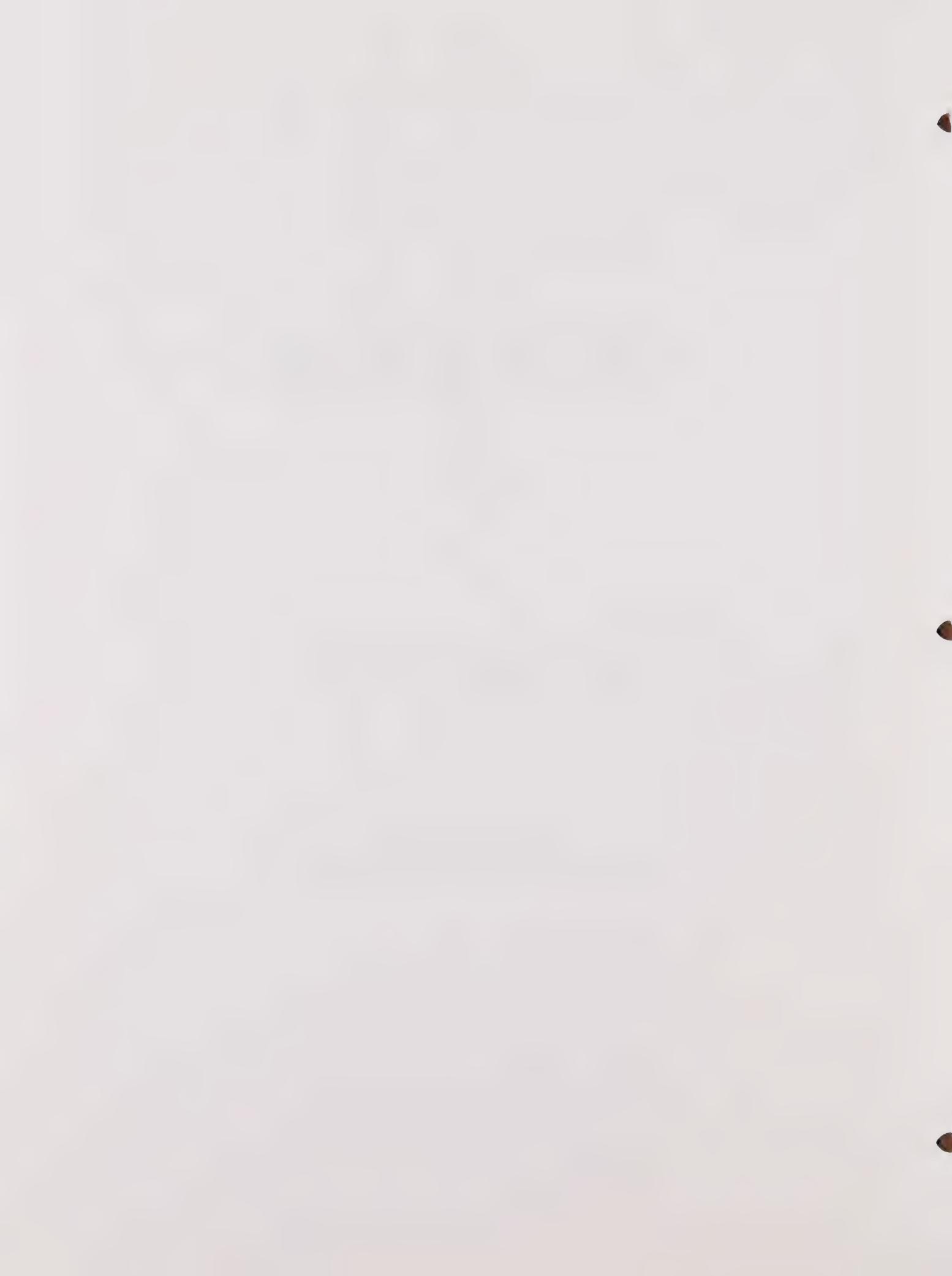
The task force reviewed four case histories of how the County's executive structure makes decisions. The task force concluded from the cases that the CAO's relationship to the Board - as chief of staff - can be improved. In particular, emphasis in the Management Services functions of the CAO should shift from single department audits and control to multi-department analysis and delivery systems evaluation. This should make decisions faster - not less political. Political decisions will be made at the Board level, rather than guessed as part of the analysis. Finally, the costs of responding to Board requests should be made part of each CAO report. This will serve as a reasonable method for agreeing on ways to control workload.



DECISION MAKING AND ORGANIZATION
LOS ANGELES COUNTY GOVERNMENT

REPORT OF THE TASK FORCE
CHIEF ADMINISTRATIVE OFFICE
JUNE, 1983

APPENDIX VIII
EXAMPLES OF COUNTY SYSTEMS



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EXAMPLES OF COUNTY SYSTEMS

Fragmentation of Systems

From the public policy perspective of elected officials, the general public's and opinion makers' grasp of what local government does is organized around functional systems. At that level, it is irrelevant which department or which individuals perform an activity. It is only relevant whether the activity fits in with their perception of what an efficient and effective local government should be doing.

We can identify the functional systems of local government and establish measures to use as an initial estimate of the efficiency and effectiveness with which they are produced. If we determine from those measures that there is reason to question the adequacy of efficiency and effectiveness, then we can apply the organizational criteria that we have established to isolate the cause.

Below is a quick list of some major functional systems of Los Angeles County and a list of the departments that contribute to their performance. The point of viewing things in this way is not to propose that the County's departmental or executive organization should be parallel to this structure. The organization of resources which can most effectively meet goals and objectives might be quite different from the systems themselves, just as the organization of resources in a device intended to transport something from point A to point B might be (a) a horse and a platform on wheels, (b) large quantities of metal shaped in the form of a T, or (c) some sheet metal, wires, chemicals and rubber wheels connected by a rotating shaft.

Rather, the point is to establish the framework from which an executive would perform the planning, organizing, leading, and evaluating functions for which the executive is responsible. This method of viewing the County establishes our basis for evaluating performance against such criteria as commonality of goals, accountability, and production efficiency. The list follows:

Functions: General Government
Systems: Public Communications

County Departments:

CAO
DPSS
Community Services
Human Relations Commission
Consumer Affairs

Systems: Legal

County Departments:

County Clerk
County Counsel
Municipal Court
Superior Court
Coroner
Sheriff
Marshal
Public Defender

Functions: Local Economic Support

System: Sewerage

County Departments:

County Engineer
(Sanitation Districts-not County)

System: Ports

County Departments:

County Engineer

System: Local Circulation

County Departments:

Road Department

Function: Local Economic Support

System: Business Services

County Departments:

Farm Advisor

Agricultural Commissioner

System: Business Regulation

County Departments:

Agricultural Commissioner

Treasurer & Tax Collector

Weights and Measures

Consumer Affairs

County Engineer

Function: Public Protection

System: Crime Control

County Departments:

Sheriff
Fire Department
DPSS
Auditor-Controller

System: Justice

County Departments:

District Attorney
Municipal Courts
Superior Courts

System: Corrections

County Departments:

Sheriff
Probation

Function: Public Protection

System: Emergency Assistance

County Departments:

Beaches/Harbors

Fire Department

Sheriff

System: Civil Order

County Departments:

Human Relations Commission

Animal Control

Mechanical Department

Functions: Environmental Control

Systems: Hazard Correction

County Departments:

County Engineer
Agricultural Commissioner
Flood Control District
Forester & Fire Departments

Systems: Environmental Protection

County Departments:

County Engineer
(Sanitation District-not County)
Flood Control District
Health Services
Regional Planning Commission
Community Services Department

Function: Recreational Services

System: Facilities/Land Management

County Departments:

Parks and Recreation

System: Education and Cultural Activities

County Departments:

Museum of Natural History

Museum of Art

Arboreta & Botanic Gardens

Library

Music & Performing Arts Commission

(Music Center Operations-not County)

System: Regional Centers

County Departments:

Beaches/Harbors

Parks and Recreation

Function: Social Services

System: Economic Assistance- Income Maintenance

County Departments:

DPSS
Public Defender
Community Development
Community Services
Human Relations

System: Health Services

County Departments:

Health
Mental Health

System: Personal Care

County Departments:

Public Guardian
Adoptions
DPSS
Probation



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Function: Social Services

System: Social Adjustment

County Departments:

Military & Veterans Affairs
Senior Citizens Affairs

System: Rehabilitative Services

County Departments:

Probation
Community Services
Sheriff